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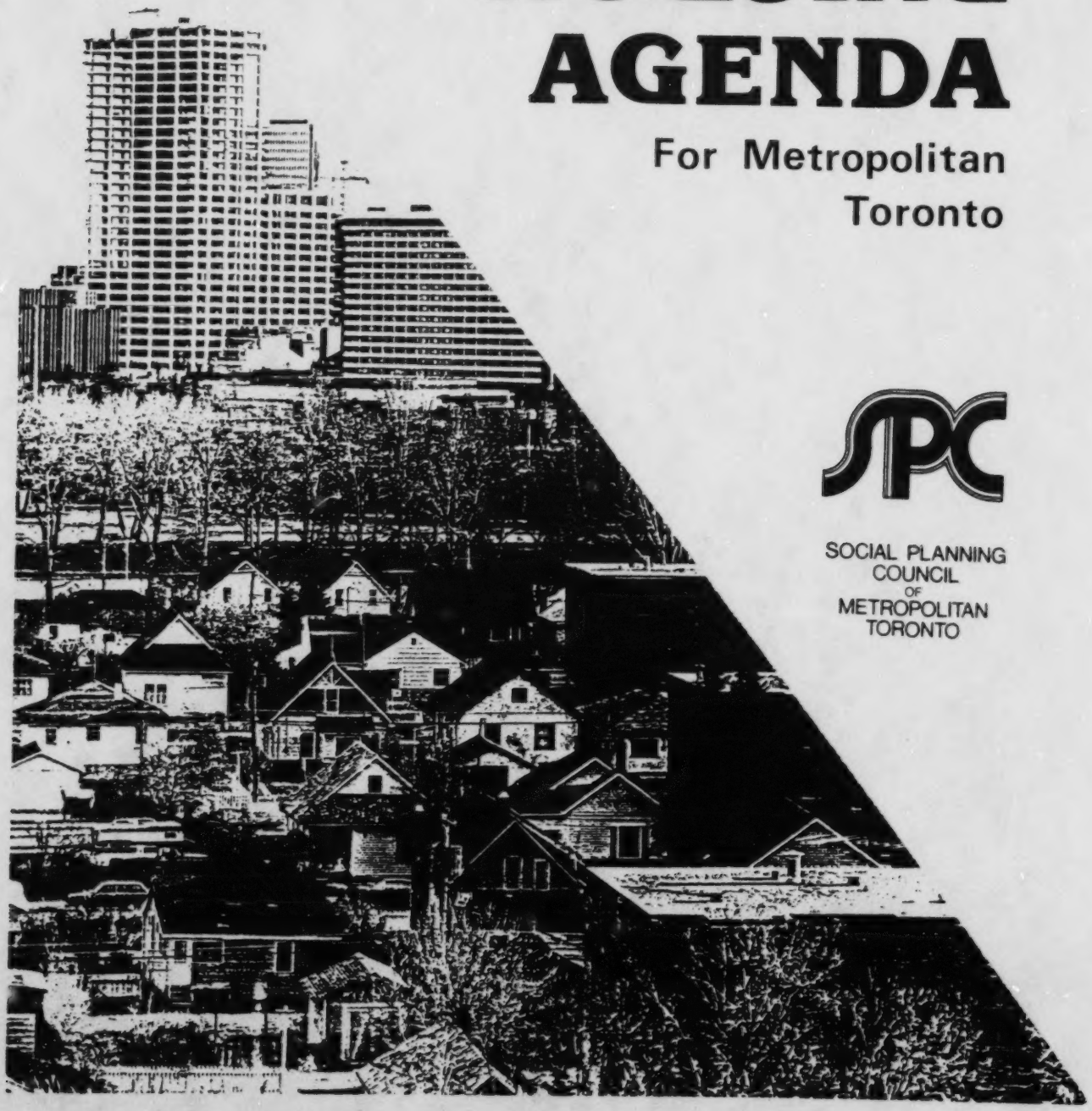

SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO

A NEW HOUSING AGENDA FOR METROPOLITAN TORONTO

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EXECUTIVE SUMMARY

1.0 Introduction and Overview

A review of the programs and policy options in providing housing for low and moderate income households is timely. The Metropolitan Toronto planning department has recently completed a study identifying the core need for housing assistance. Other reports have drawn attention to the plight of Metro's homeless population.

Chapter One sets out the changing nature of government housing programs since 1945, with particular attention to how these activities have contributed to the existing stock of low-income housing in Metropolitan Toronto. The federal-provincial partnership, which began in 1949 as a joint program to develop public housing, was initiated in response to strong lobbying from several of Canada's larger urban centres, including the City of Toronto.

Toronto's first large scale public housing project, Regent Park North, actually pre-dated these provisions. By 1964, about 7,000 units of public housing were built under the federal-provincial partnership agreement in Metropolitan Toronto. However, the cumbersome approvals process had rendered the program unworkable by the late 1950s. Only 38 units were completed between 1958 and 1964.

The major impetus to develop assisted housing commenced with amendments to the National Housing Act (NHA) and the creation of Ontario Housing Corporation (OHC) in 1964. During the next ten years, more than 21,000 public housing units were developed in Metro by OHC, primarily on land assemblies in suburban locations. The Metropolitan Toronto Housing Company (MTHC) developed a further 7,400 units of rent-geared-to-income housing for seniors during this same period.

Widespread public opposition to large scale public housing developments had brought the family housing program to a standstill by the early 1970s. Amendments to the NHA in 1973 extended the methods of

providing housing assistance in a number of areas, particularly through the development of mixed-income approaches as embodied by the local non-profit and co-operative programs.

The last decade has witnessed attempts to broaden the number of beneficiaries of assistance through subsidizing home ownership and assistance to developers of private rental buildings. There was also a shift in emphasis which recognized the importance of conserving and rehabilitating the existing stock.

But the past decade has also seen a reduced public commitment to housing those in need. Direct federal spending on social housing has been greatly reduced by the termination of funds for both Section 43 public housing and land-banking, and by the substitution of private lender capital for direct government financing. The withdrawal of the provincial government has been even more dramatic. Subsidies to non-profit and co-operative housing projects have been nearly terminated since 1978.

2.0 The Need for Housing Assistance

Metropolitan Toronto Council directed staff to undertake a study using a sample approach to determine the need for assisted housing within the Municipality. Conducted during the fall of 1982, the study results were intended to provide a basis for establishing five-year production targets for assisted housing in consultation with the area municipalities.

The study focussed on three broad household types: non-senior tenants; senior tenants; and senior homeowners. It estimated "core" need for housing assistance in relation to three categories: 1) affordability, 2) suitability, and 3) adequacy.

The initial survey results showed that nearly 175,000 households, 36.0 per cent of those surveyed, were in need of assistance. They were

living in housing that left them with too few resources to live at the level specified in the Social Planning Council's Guides for Family Budgeting, in physically inadequate housing, or in crowded conditions.

Various checks were built into the estimation of need to ensure that households were not voluntarily over- or under-consuming housing. The imposition of these checks assumes that adequate housing of the appropriate size, and at average rent levels, is available in the market place.

People initially found to be in need were eliminated if they were paying more than the average private market rent for suitable accommodation and the cost of suitable housing and appropriate non-housing items (as specified in the Budget Guides) equals less than their after-tax incomes.

All households found to be living in overcrowded or physically inadequate dwellings were deemed not to be in need if, according to their income, they could afford suitable housing at average market rents. Fully 9.5 per cent of non-senior tenants in the sample were eliminated by the application of this check. The checks on voluntary over- and under-housing eliminated nearly 45,000 households initially identified as having a core housing need.

The staff at the Metro Planning Department undertook three further checks that reduced the apparent need for assisted housing in Metropolitan Toronto. Metro dropped from further consideration those identified as having a core housing need but who were currently housed in rent-geared-to-income (R.G.I.) units.

Also eliminated were those not eligible under provincial regulations, including childless couples, single persons under 60 years of age and senior homeowners. Finally, they referred back to a specific question in the survey questionnaire, and eliminated any household which

had failed to perceive its need for financial assistance in paying for housing. Together, these two qualifiers reduced the estimates of core need by an additional 61,000.

The Metro study under-estimated the core housing need of single persons. The design excluded the more than 50,000 persons who comprise Metro's rooming house population. However, a "qualitative" survey of hostels and social service agencies which assist the homeless estimated the number of homeless persons at 3,400.

If the proportion of roomers and boarders in need of housing assistance resembles proportions amongst those single tenants living in self-contained dwellings, then an additional 9,100 roomers would be in need of assistance. Overall, it can be conservatively estimated that 13,000 to 14,000 single persons not included in the Metro housing needs study sampling frame are in need of housing assistance.

By 1996 the proportion of population aged 65 years and over is projected to increase by at least 30 per cent to approximately 295,000 from 226,125 in 1981. This alone could result in an additional 5,000 elderly households in need of housing assistance between 1981 and 1996. The number of single parent families in Ontario is expected to increase by over one-third between 1981 and 1996. Even a 25 per cent increase in Metropolitan Toronto would result in an additional 3,500 households needing assistance.

The need for housing assistance increases if rents increase more rapidly than incomes. From 1982 to 1987, average wages are projected to increase by 32.2 per cent, but even the annual 6 per cent ceiling currently existing for rent controlled buildings in Ontario would result in rent increases of 33.8 per cent.

More than three-quarters of the existing rental stock will be at least thirty years old by the turn of the century. Considerable

expenditures to conserve it will be required over the next few years, resulting in upward pressure on rent levels.

On the supply side, the single factor which may have had the most negative impact on the need for housing assistance in the recent past is deconversion. Estimates for the 1971 to 1979 period indicated a net loss of 13,000 units. Much of this stock was made up of smaller units at the low-end of the market.

The Assisted Housing Study first identified 175,000 households to be in need of housing assistance. Metro's planning staff recommended that the number of households needing assistance was slightly over 30,000. The latter number is far too low an estimate, although it is true that assisted housing activity would have to be increased substantially to meet it.

Altogether the data on housing need indicate that 110,000 households is a more realistic estimate of the numbers in need of assistance over the next 15 years. If the sole means of meeting the need of these households was the production of rent-geared-to-income units then a production target of 7,000 units annually would be required.

3.0 Assisted Housing in Metropolitan Toronto

The Metropolitan Toronto Housing Authority (MTHA) operates approximately 29,500 public housing units in 100 per cent rent-geared-to-income projects. The Metropolitan Toronto Housing Company (MTHC) builds and manages primarily 100 per cent rent-geared-to-income housing for senior citizens. MTHC was operating about 14,900 units of seniors housing, over 80 per cent of which were bachelors, by year end 1982.

The rent supplement programs, which include the regular rent supplement, community integrated, accelerated rental, and assisted rental programs, have added another 2,875 units of rent-geared-to-income housing.

Cityhome, the City of Toronto's non-profit housing company, manages about 4,000 units, of which some 1,600 are operated on a rent-geared-to-income basis. Finally, rent-geared-to-income units available in private non-profit and co-operative housing projects add another 2,800 units to the Metro total.

As part of the Assisted Housing Study, Metro Toronto compared the income profiles of tenant households from its sample, with those living in rent-geared-to-income units. In all cases, the income profiles of existing tenants were extremely low, even in relation to the incomes of tenants found to be in core housing need. Existing rent-geared-to-income units are succeeding in housing those with the most extreme housing needs.

Since 1975, social housing for families has been limited to rent supplement units in private buildings and rent-geared-to-income units provided through the non-profit and co-operative housing programs. The MTHC has continued to develop 100 per cent rent-geared-to-income housing for seniors.

Between 1979 and 1982, social housing starts have comprised 65 to 80 per cent of total rental starts. For the four years as a whole, 9,484 social housing units were started - slightly less than 2,400 per year.

4.0 Evaluating Past and Current Programs

The federal Assisted Home Ownership Program (AHOP) was introduced in 1973, and initially targetted at low to moderate income families with children. By 1976 the social housing objectives of the program had been largely supplanted by the objective of increasing housing production.

The resulting AHOP program had a number of serious flaws. Ontario families receiving grants from both senior levels of government

were especially vulnerable. Families with incomes of $9,000 to $12,000 were enabled to purchase homes that without assistance would have required incomes of $17,000 to $22,000 to acquire. By the end of 1981, more than 6,000 of the approximately 11,000 AHOP units which had defaulted across Canada were in Ontario, and half of these were in the suburban fringe of Metro Toronto.

The federal Assisted Rental Program (ARP) was established in 1975 and was phased out in 1978. Throughout much of this period, assistance under ARP took the form of 10 year interest-free loans, thereby permitting various federal tax incentives to become an integral part of the total subsidy package. ARP agreements guaranteed the builder a minimum return on equity, usually between 5 and 10 per cent, depending on local market conditions. Interest-free loans were available up to $1,200 a unit, and restrictions were placed on rent levels in the first year of operation.

The ARP program can be criticized on the basis of its large subsidy costs and on its failure to target the rental units produced to low and moderate income households. The absence of effective controls on rents after the first year have resulted in ARP rents which are appreciably above average market rents in several cities. Two recent initiatives, the Ontario Rental Construction Loan (ORCL) and the Canada Rental Supply (CRSP) programs suffer from many of the same deficiencies as the ARP program.

New public housing units for families and seniors averaged between 3,000 and 3,500 in Metro Toronto during the decade following the establishment of the Ontario Housing Corporation in 1964.

The eventual abandonment of 100 per cent rent-geared-to-income housing projects for families in the mid-1970s has been an important contributing factor in the failure of senior level housing programs to meet the needs of low and moderate income renters. Using the mixed-

income approaches in operation since 1973, it now requires three to four times the number of units to house low-income tenants as it did formerly under the public housing programs.

In the short-term, private rent supplement units appear to be an attractive alternative to public housing. They are supportive of two of the federal government's major social housing program thrusts in recent years: 1) an increasing reliance on private sector capital, and 2) an emphasis on mixed-income approaches. There are serious questions about the longer-term benefits of such an approach. The Canada Mortgage and Housing Corporation estimates that direct public housing is cheaper after about the eighth year.

In rental markets such as Metro Toronto it is becoming uneconomical for the government to make use of units available for rent supplement. The high market rents within completed projects are such that the province has failed to take up nearly 700 such units that were created in Metro under the ORCL and CRSP programs. Only 25 units have been leased by the MTHA.

Amendments to the National Housing Act in 1973 and 1978, created the opportunity of a greatly expanded role for non-profit and co-operative housing projects in providing housing for low-income households, but in mixed-income projects that would serve moderate income families as well. Provincially or municipally owned housing corporations, charitable non-profit groups and co-operative societies were included as sponsors.

The essential differences in program design between the 1973 and 1978 co-operative and non-profit programs can be summarized as follows. Under the 1973 program, projects were approved with 100 per cent Canada Mortgage and Housing Corporation mortgage financing and an interest writedown to 8 per cent only where the capital costs, mortgage repayment and operating expenses would yield breakeven rents at the low-

end of market for the surrounding neighbourhood. A 10 per cent capital subsidy and matching provincial grant was then used to subsidize up to 25 per cent of units as rent-geared-to-income housing.

The 1978 program required 100 per cent capital funding from an approved private lender, with Canada Mortgage and Housing Corporation providing a mortgage writedown subsidy representing the difference between conventional rates and a 2 per cent rate. There was also a complete separation of capital and operating cost calculations. Further, the low-end of market rents under the 1978 program are based on the non-controlled stock in surrounding neighbourhoods which in many instances represent rents well above the average for private market rents as a whole.

Though this enhanced the available subsidy pool, it also broadened the income-mix and schewed it upward capturing an increasing proportion of middle-income earners. As a consequence, the income profile of housing built under Section 56.1 exhibits higher median incomes and a lower incidence of low-income households than is the case for projects built under Sections 15.1 and 34.18.

Unlike the 1973 program, where subsidies for rent-geared-to-income units were cost-shared equally between the federal and provincial governments, the 1978 program involved no provincial assistance until the full extent of available federal subsidies were used up.

Shelter allowances are intended to permit low-income households to participate more effectively as consumers in the private market, thereby reducing the need for direct government intervention in housing supply. Four provinces - British Columbia, New Brunswick, Manitoba and Quebec - have implemented shelter allowance programs to assist seniors. Manitoba's program is also aimed at low-income families with children.

In tight rental markets, implementing a shelter allowance program can result in substantial rent inflation. Households of similar size and

income may receive significantly different levels of subsidy which undermines horizontal equity. Many recipients will use a large part of their allowance to increase expenditures on non-housing items. Finally, a shelter allowance program would do little to increase the supply of housing with higher rents simply passing subsidy dollars through to landlords.

The failure of senior governments to fund adequate supply programs has given added importance to attempts aimed at conserving and rehabilitating the existing stock. The Residential Rehabilitation Assistance Program (RRAP), developed in 1973 in conjunction with the federal Neighbourhood Improvement Program (NIP), represented a major shift in Canadian housing policy.

Ontario introduced the Ontario Home Renewal Program (OHRP) to complement and augment the federal initiatives. Between 1974 and 1982, the two programs assisted in the rehabilitation of between 40,000 and 45,000 dwelling units. More recently, Ontario has introduced two renovation and conversion programs - Convert-to-Rent and Add-a-Unit - designed to create self-contained units for low and moderate income renters.

5.0 A New Housing Agenda for Metropolitan Toronto

All three levels of government are currently re-examining their roles in ensuring low-income groups access to suitable, affordable housing. While the federal government evaluates the effectiveness of its social housing programs, and the province of Ontario re-assesses the operation of its rent review legislation, Metropolitan Toronto has undertaken several recent initiatives designed to increase the housing opportunities for both low-income families and single persons.

In arriving at targets for assisted housing, a number of considerations should be addressed including: 1) the current distribution and

unit mix of rent-geared-to-income units; 2) the basis for determining the future distribution of rent-geared-to-income units among area municipalities; and, 3) the extent to which the anticipated need might be met other than through rent-geared-to-income housing.

The selection of appropriate program instruments from among the available options depends on the way in which housing need is identified. In general, approaches tend to exhibit either a social welfare or market welfare orientation.

The report concludes that the provision of rent-geared-to-income housing through both the mixed-income housing programs and small-scale public housing projects represents the most effective method of meeting the identified need.

Recommendations

1) That the two senior levels of government authorize the production of 4,500 rent-geared-to-income units annually, 1,200 for seniors and 3,300 for non-seniors for a period of 15 years. While this is considerably more than the average of 1,000 per year in the 1980 - 1983 period, it is nevertheless not significantly more than the over 3,000 units per year that were produced in the 1964 - 1974 decade.

2) That the Council of Metropolitan Toronto prescribe an assisted housing target of 4,500 units per year for the next fifteen (15) years, with 1,200 units for seniors and 3,300 units for non-seniors. Meeting this target will require much greater use of currently developed sites and existing housing than has been the case in the past.

3) That assisted housing targets for the six individual area muncipalities be established in proportion to the preferences expressed in the survey of housing need. The City of Toronto was the preferred choice of 41 per cent of respondents, followed by North York at 22 per cent, Scarborough and Etobicoke with 15 per cent each, East York with 5 per cent and York 3 per cent.

4) That the C.M.H.C. and the Ontario Ministry of Municipal Affairs and Housing be requested to increase the effectiveness of the existing social housing programs, specifically, the municipal non-profit, private non-profit and co-operative housing programs by the following modifications:

   (a) relax the current restriction of 25 per cent R.G.I. units in the family buildings to permit up to 50 per cent of units in municipal non-profit buildings, and in co-operative and private non-profit projects using O.C.H.A.P. assistance, to be rented to tenants on a rent-geared-to-income basis;*

   (b) revise the current method of determining low end of market rent to ensure that non-profit and co-operative housing remains affordable to moderate income households and that rental increases are based on increases in operating costs;

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*It is anticipated that the ratio would vary between 25 and 50 per cent depending on the size of the project, the household mix and the location involved.

(c) permit non-profit and co-operative housing organizations as a matter of policy to develop projects through acquisition and renovation;

(d) encourage the provision of a minimum of 50 per cent R.G.I. units in senior private non-profit and co-operative projects, and consider increasing the permitted level of subsidized units above that proportion;

(e) separate the rent reduction assistance targeted to moderate income households, the subsidy required during the first few years of a project's life to bridge the gap between economic and market rents, from the rent-geared-to-income assistance targeted to low-income households.

5) That the provincial and municipal governments establish a new program of grants and/or non-interest bearing loans to assist in the rehabilitation of inadequate rental dwellings, given that over 35,000 households in Metropolitan Toronto were determined to be in need of housing assistance solely as a result of the inadequate condition of their dwellings.

6) That the Metropolitan Planning Department, together with the local area municipalities, review the opportunities for providing additional small rental units in existing housing and changes in zoning and planning by-laws that would be required to realize those opportunities, given that nearly 25,000 non-senior singles and couples without children are in need of housing assistance.

7) That 11,500 (750 per year) of the overall assisted housing target be designated for providing permanent, long-term housing for homeless and low-income single persons.

8) That the shelter allowance associated with provincial and municipal social assistance payments be increased to a level that will enable households in receipt of social assistance to have the choice of living in dwellings available on the private market or in housing owned by public, non-profit and co-operative organizations.*

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*Approximately 10,000 households whose primary source of income is social assistance live in dwellings in the private rental market, and require additional housing assistance.

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Chapter 1
INTRODUCTION AND OVERVIEW

A review of the programs and policy options in providing housing for low and moderate income households is timely. A recent study carried out by the Metropolitan Toronto planning department has identified more than 90,000 households as demonstrating a core need for housing assistance.* Other reports have drawn attention to the plight of Metro's homeless population, conservatively estimated at between 5,000 and 10,000, many of whom have a dire need for permanent housing.**

The federal government is currently re-examining its involvement in the social housing field. Concerns have been expressed by the Canada Mortgage and Housing Corporation (CMHC) that the funds allocated to social housing programs could be more effectively targeted and that providing social housing in mixed-income projects developed by non-profit companies and co-operative societies, the way in which over four-fifths of the social housing built in recent years has been developed, is an expensive luxury that Canada cannot afford.*** Press reports indicate that a shelter allowance program in some form is under active consideration by the federal government and that such a program may replace existing social housing programs. This report is intended to contribute to this ongoing discussion and re-assessment of the role of government in ensuring that low-income groups have access to suitable and affordable housing.

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*Metropolitan Toronto Planning Dept., Metropolitan Toronto Assisted Housing Study: Part 1, Determination of the Need for Assisted Housing (May, 1983).

**Social Planning Council of Metropolitan Toronto, People Without Homes: A Permanent Emergency (January 1983); Metropolitan Community Services and Planning Depts., No Place To Go, A Study of Homelessness in Metropolitan Toronto: Characteristics, Trends and Potential Solutions (January 1983); Municipality of Metropolitan Toronto, Task Force on Housing for Low Income Single People, Final Report (November 1983); and City of Toronto, Mayor's Action Task Force on Discharged Psychiatric Patients, Preliminary Report (November 1983).

***Canada Mortgage and Housing Corporation, Section 56.1 Non-Profit and Co-operative Housing Program Evaluation (November 1983).

Chapter 1 sets out the changing nature of government housing programs since 1945, with particular attention to how these activities have contributed to the existing stock of low-income housing in Metropolitan Toronto.

Chapter 2 reviews the process by which the magnitude of core housing need in Metropolitan Toronto has been defined by the Municipality of Metropolitan Toronto.* It notes several demographic trends not dealt with in the research which could substantially increase the numbers needing housing assistance during the next fifteen years, and concludes that the magnitude of need which must be addressed during the next fifteen years may be two to three times the level identified by Metro planners.

Chapter 3 examines the current stock of rent-geared-to-income (RGI) housing within Metropolitan Toronto.

Chapter 4 summarizes and evaluates the various programs through which housing assistance has been provided in Metropolitan Toronto. This chapter provides a brief description of each program, and assesses its effectiveness in meeting the needs of low and moderate income households. It also comments on the potential for renovating and rehabilitating the existing stock to meet housing needs in Metropolitan Toronto.

Chapter 5 concludes that the need for housing assistance can be most effectively met through the mixed-income programs. It argues that a target of 4,500 rent-geared-to-income units per year for 15 years may be required rather than the 2,000 units/year proposed by the Metro planning department.

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*Metropolitan Toronto Planning Dept., Metropolitan Toronto Assisted Housing Study: Part 1, Determination of the Need for Assisted Housing, (May, 1983); and Metropolitan Toronto Assisted Housing Study: Part 2, Program Evaluation and Five Year Targets (October, 1983).

1.1 The Provision of Assisted Housing in Metropolitan Toronto Since 1945

The focus and direction of federal housing programs have undergone a number of changes in emphasis during the last four decades. The establishment of Canada Mortgage and Housing Corporation in 1945 to administer the National Housing Act (NHA) of 1944 was an indication by the federal government that housing was to be a major lever in post-war reconstruction and in the nation's social programs.

In the nearly 40 years since its establishment, Canada Mortgage and Housing Corporation has pursued a number of successive policies and programs to meet the housing needs of the nation. The major thrust of Canada Mortgage and Housing Corporation policy for its first twenty years was directed toward facilitating home ownership for moderate income families. Serious housing shortages dictated a continuing federal involvement in the direct provision of rental housing in the immediate post-war period. While the federal government was anxious to get out of the business of building rental housing, several of Canada's larger urban centres, notably the City of Toronto, were strongly advocating a federal public housing program.

In 1949 the federal government officially gave up the direct provision of rental housing but agreed to participate jointly with the provinces in the provision of public housing. The federal-provincial partnership placed the initiative for providing low-income housing on the provincial governments, though provincial funding for capital costs and operating losses was limited to a maximum of 25 per cent. Rents for tenants of public housing were based on a rent-to-income formula. Early attempts in providing housing for low-income households used a slum clearance or urban renewal approach.

The first public housing project in Toronto actually pre-dated these provisions. Regent Park North had been approved by the City of Toronto in 1947 without provincial or federal involvement. Under the federal-provincial partnership, further housing projects were developed

in Regent Park South and Alexandra Park in the City of Toronto and in Lawrence Heights in North York. Starting in 1955, the Metropolitan Toronto Housing Company Ltd. (MTHC) began developing housing projects for seniors. From 1955 to 1964 MTHC constructed nearly 1,500 rental units in 34 buildings under Canada Mortgage and Housing Corporation's program for providing low interest rate financing for limited dividend housing companies.

By the late 1950s, the cumbersome approvals process involving all three levels of government often took 5 years or more between initial approval and the completion of a project and was becoming increasingly unworkable. From 1958 to 1963 only 38 units were completed in Metropolitan Toronto under the partnership agreement.

The 1964 amendments to the NHA introduced the Section 43 public housing program which offered 90 per cent loans to municipal and provincial agencies for land assembly, design and building of public housing projects. The maximum federal contribution to operating losses was reduced to 50 per cent from 75 per cent under the partnership approach.

The province of Ontario welcomed these changes as an opportunity to fulfill its constitutional responsibilities in the housing field and to make housing a part of provincial social policies. In April 1964, the Ontario Housing Corporation (OHC) was formed. The next decade saw a rapid expansion in the stock of rent-geared-to-income units within Metropolitan Toronto. More than 21,000 public housing units were developed in Metro. Most of the new public housing was built on large suburban tracts. Slum clearance and urban renewal were no longer the primary means for creating public housing sites.

OHC did not build public housing for seniors within Metropolitan Toronto. This task was left to the MTHC which developed 7,400 additional units between 1965 and 1975. Together, OHC and MTHC completed more than 28,500 units of public housing during the 1965 - 1975 decade, almost 3,000 assisted housing units per year.

Widespread public opposition to large scale public housing developments was threatening to bring the family housing program to a standstill by the early 1970s. There were increasing demands on local municipalities for recreation facilities, parkland, social services and day care. Private developers were also concerned that public housing would displace them.*

At the same time Canada Mortgage and Housing Corporation and the federal government were concluding that the need for housing assistance extended beyond the public housing clientele. Moderate income Canadians were also in need of housing assistance, and the provision of more modest levels of assistance would enable a fixed number of government dollars to be extended to a larger number of beneficiaries. Amendments to the NHA in 1973 paved the way for subsidizing home ownership and for providing rental housing assistance through private developers, private and public non-profit companies and co-operative housing societies. The new rental projects were intended to house moderate income tenants for whom current market rents were a burden, as well as a proportion of tenants on a rent-geared-to-income basis, in mixed-income projects.

These amendments to the NHA in 1973 paved the way for a strengthened municipal role in housing. The City of Toronto formed its own housing company, Cityhome, to take advantage of the new program. The MTHC used the new NHA programs as well.

Another important policy shift embodied in the 1973 amendments was represented by the Residential Rehabilitation Assistance and Neighbourhood Improvement Programs. Questionable slum clearance activities would no longer be encouraged. The Government of Ontario joined with Ottawa in this new emphasis on improving existing communities by establishing the Ontario Home Renewal Program.

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*Albert Rose, Canadian Housing Policies, 1935 - 1980, Toronto (Butterworth and Company, 1980), p.105.

By the mid-1970s the non-profit and co-operative housing programs had become the main vehicle for delivering assisted housing in Metropolitan Toronto. The Ontario Housing Corporation practically ceased any new developments in Metropolitan Toronto after 1975. Public opposition, rapidly rising subsidies and the popularity of the new programs provided the provincial government with a convenient excuse not to produce additional public housing.

For a few brief years the 1973 amendments signalled an extension of Ottawa's commitment to an active role in providing assisted housing. Then the federal government, like the Government of Ontario earlier, decided that it could no longer afford to maintain its level of commitment to social housing production either. The capital budget of Canada Mortgage and Housing Corporation averaged $1.4 billion in the years 1976 - 1978. This constituted over half of the federal cash investments in its Crown corporations. The federal deficit had climbed to $10 billion annually. The federal government therefore decided that one of the easiest ways to reduce its cash requirements without impinging on on-going programs was to reduce its cash investments in its Crown corporations.

The size of the Canada Mortgage and Housing Corporation capital budget made its programs a prime target. The assisted home ownership and rental programs were terminated. Amendments to the NHA in 1978 were designed to reduce the amount of direct federal spending on social housing programs. Capital funding of the non-profit and co-operative programs was replaced by loan guarantees of mortgage financing secured from private lenders. Federal assistance took the form of a differential interest subsidy which resulted in an effective rate of 2 per cent. In addition, funding for municipal and provincial land-banking was terminated, as were the Section 43 public housing and neighbourhood improvement programs.

The Government of Ontario had pulled back much further than the federal government from its commitment to social housing programs. The political will that gave rise to the formation of the Ontario Housing

Corporation has long since disappeared. Subsidies to non-profit and co-operative housing projects have been nearly terminated since 1978. Co-operative societies have received no subsidies. Public and private non-profit programs have continued to receive provincial subsidies but total payments have equalled only 1 per cent of the federal government contribution.*

1.2 Summary

Providing assisted housing for all of those households in need of assistance is clearly beyond the resources of local municipalities. They have neither the capital nor the on-going revenues required to pay the subsidies for housing assistance. Only the two senior levels of government possess the required resources. Municipal government's role is to facilitate the provision of assisted housing, as well as to guide the two senior levels in developing assisted housing appropriate to the needs of the local population.

Interest in the development of assisted housing by the provincial and federal governments was slow to develop. It was partially in response to pressure from the City of Toronto that the federal government agreed to participate in the development of public housing at all in 1949. Between 1949 and 1964 only 7,000 assisted housing units were provided in Metropolitan Toronto.

The major impetus to develop assisted housing commenced with amendments to the National Housing Act and the creation of the Ontario Housing Corporation in 1964. The succeeding decade can be looked upon as one in which there was a public commitment to provide housing assistance to those in need. The past decade can be looked upon as one in which there were major advances regarding the ways and means in which

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*Canada Mortgage and Housing Corporation, Section 56.1 Non-Profit and Cooperative Housing Program Evaluation (Ottawa: November 1983), p.270.

housing assistance is provided. The development of local non-profit and co-operative housing programs and the mixed-income approach were particularly large steps forward.

But the past decade has also represented a step backward with respect to the overall public commitment to housing those in need of assistance. While the federal government continued to subsidize about as many social housing units on an annual basis in the post-1978 period as in the five years previous to 1978, the provision of assisted housing units declined by about 60 per cent. The withdrawal of the provincial government has been much more dramatic. In the meantime, the magnitude of need has continued to grow. Estimates by Canada Mortgage and Housing Corporation show an increase in need for assistance in the 1976 - 1981 period. Ways and means must be found to meet this need.

Chapter 2
THE NEED FOR HOUSING ASSISTANCE

2.1 Determining the Need for Housing Assistance

The Metropolitan Toronto Official Plan, adopted in 1980, gives the Metropolitan Council the responsibility for establishing five-year production targets for assisted housing on an annual basis in consultation with the area municipalities. To assist in establishing targets the staff of the Metropolitan Planning Department decided in 1981 to undertake a study of the need for housing assistance.

A steering committee consisting of representatives from the Metropolitan Planning Department, the Metropolitan Community Services and Housing Department, the Metropolitan Toronto Housing Company, the Ontario Ministry of Housing, the Canada Mortgage and Housing Corporation and the Social Planning Council was assembled to advise the planning department. The Institute for Behavioural Research (I.B.R.) of York University was hired to undertake a survey of households in Metropolitan Toronto, as well as the preliminary analysis of the resulting data. The I.B.R. study focussed on three broad household types: non-senior tenants; senior tenants; and senior homeowners. Non-senior homeowners were excluded from consideration.

The need for housing assistance was estimated for three categories: 1) affordability, 2) suitability, and 3) adequacy. Affordability was determined using a residual income approach. Households with inadequate income to pay for the non-shelter goods and services in the Social Planning Council's Guides For Family Budgeting, 1981, after paying their rent and utilities, were judged to have an "affordability problem."

The suitability criterion relied on two general measures of crowding. The first defined a household as crowded if it had more than one person per room, while the second defined a household as crowded if

there were more than two persons per bedroom. To be judged suitable the housing in question had to satisfy both measures.

The adequacy criterion used three aspects of physical adequacy: bathroom facilities, kitchen facilities, and the need for major repairs. Dwellings in need of major repair, as well as those where separate dwellings shared bath or kitchen facilities, were judged to be inadequate.

2.1.1 Initial Survey Results

Table 2.1 shows the initial survey results. Nearly 175,000 households, 36.0 per cent of Metro's total, were judged to be in need of assistance. They were living in housing that left them with too few resources to live at the level specified in the Social Planning Council's Guides for Family Budgeting, in inadequate housing, or they were crowded.

2.1.2 Checks to Arrive at "Core" Need

Various checks were built into the estimation of need to ensure that households voluntarily over- or under-consuming housing were eliminated from the estimates of "core" housing need. Households exhibiting all three aspects of need or whose housing was both unaffordable and crowded were automatically accepted as being in need of assistance, while households demonstrating other possible combinations of need were subjected to a series of checks.

These checks on the initial survey results assume that adequate housing of the appropriate size, and at average rent levels, is available in the market place. They also assume that the Municipality of Metropolitan Toronto is a single housing market and that it is always possible to obtain housing within an acceptable distance or commuting time of one's place of work.

Table 2.1

DISTRIBUTION OF COMBINED MEASURE OF HOUSING NEED BY GROUP

Number of Households	Per Cent			
	Non-Senior Tenant	Senior Tenant	Senior Owner	Total
Affordability and Suitability and/or Adequacy	8.1	3.1	2.7	
Affordability Only	19.9	42.7	12.1	
Suitability and/or Adequacy	9.9	2.8	5.7	
Total In Need	37.9	48.6	20.5	36.0
Not In Need	62.1	51.4	79.5	64.0
	Number			
	Non-Senior Tenant	Senior Tenant	Senior Owner	Total
In Need	113,150	39,850	21,150	174,250
Not In Need	185,435	42,280	82,045	309,760
Total	298,585	82,230	103,195	484,010

Source: Institute for Behavioural Research, Metropolitan Toronto Assisted Housing Survey, Table 10.

2.1.3 Checks on Over-Housing

People initially found to be in need were eliminated if they were paying more than the average private market rent for suitable accommodation and the cost of suitable housing and appropriate non-housing items (as specified in the Budget Guides) equalled less than their after-tax incomes. This check assumes that over-housed households could readily move to smaller, less expensive accommodation to avoid placing themselves in a state of financial need. For the three broad categories of households as a whole, this check reduced the proportion of survey respondents with an affordability problem from 29.6 per cent to 27.4 per cent of the sample, eliminating 9,000 households.

2.1.4 Checks on Under-Housing

All households found to be living in overcrowded or physically inadequate dwellings were deemed not to be in need if, according to their income, they could afford suitable housing at average market rents.

Significantly, this check virtually eliminated the incidence of crowding and physically inadequate housing stock in contributing to core need. Fully 9.5 per cent of non-senior tenants in the sample were eliminated by the application of this check and the over-all estimate of housing need was reduced by 36,000 households.

2.1.5 Further Checks on the Need for Assisted Housing

Three further checks that reduced the apparent need for housing assistance by an additional 100,000 households were undertaken. The following description of those checks is summarized in Table 2.2. Firstly, some 38,200 currently living in RGI units were eliminated. This situation results primarily from the fact that many RGI tenants lack sufficient residual incomes to meet the non-housing expenditures used in the study, despite paying rent on a geared-to-income basis. This decision is legitimate in light of the focus on establishing assisted housing targets for the future.

Secondly, a clear distinction was made between those low-income households which are currently eligible for housing assistance under existing programs and those which are not. Those not eligible under current provincial regulations include childless couples, single persons under 60 years of age and senior homeowners.* The application of this check eliminated over 36,000 households from further consideration.

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*While the senior homeowners have low incomes, the assets which they would accrue if they sold their homes would likely make them ineligible for assistance.

Table 2.2

INCIDENCE OF HOUSING NEED, BEFORE AND AFTER CHECKS

		Non-Senior Tenants	Senior Tenants	Senior Homeowners	Total
Number of Households from 1981 Census		298,585	82,230	103,195	484,010
Incidence of Housing Need					
Before Applying Checks	%	37.9	48.6	20.5	36.0
	No.	113,150	39,950	21,150	174,250
After Check on Over-Housing	%	36.2	44.9	19.7	34.2
	No.	108,100	36,900	20,330	165,330
After Check on Under-Housing	%	26.7	41.8	15.0	26.8
	No.	79,700	34,350	15,480	129,530
After Check on R.G.I. Units	%	18.9	23.6	15.0	18.9
	No.	56,430	19,400	15,480	91,310
After Check on Ineligible Under-Existing Programs	%	11.9	23.6	-	11.4
	No.	35,550	19,400	-	54,950
After Check on Needs Perception	%	7.1	10.6	-	6.2
	No.	21,330	8,730	-	30,060
Reduction in Housing Need Due To:					
Check on Over-Housing		5,050	3,050	820	8,920
Check on Under-Housing		28,400	2,550	4,850	35,800
Check on R.G.I. Units		23,270	14,950	-	38,220
Check on Ineligible Households		20,880	-	15,480	36,360
Check on Needs Perception		14,220	10,670	-	24,890

Source: Metropolitan Toronto Planning Dept., Metropolitan Toronto Assisted Housing Study: Part 1, Determination of the Need for Assisted Housing (May, 1983); and Metropolitan Toronto Assisted Housing Study: Part 2, Program Evaluation and Five Year Targets (October, 1983).

Thirdly, the report referred back to a specific question in the research questionnaire concerning respondents perceptions of their need for assistance in paying for their housing. Any household found to be in core housing need after the application of all previous checks, but which failed to perceive its need for financial assistance in response to the survey question, was also eliminated. The effect of this final qualifier is to reduce the number of households estimated to be in core housing need by an additional 25,000.

An estimate of the need for housing assistance depends to a large extent on the criteria that are used to define need. The I.B.R. study first identified 175,000 households to be in need of housing assistance. The study's steering committee and subsequently Metro's planning staff recommended that the number of households needing assistance was slightly over 30,000. If one were to restore those households who were eliminated because they did not perceive their need or because current program criteria make them ineligible plus half of those eliminated because they were voluntarily under-housed, then the magnitude of need moves back to nearly 110,000, or between three and four times the number in Metro planning staff's final report. Should Metro's assisted housing targets be increased by a similar magnitude?

The following analysis attempts to answer this question. It also explores potential additional sources of need including individuals excluded from the I.B.R. survey, future demographic changes and so forth.

2.2 Additional Housing Need Stemming from the Persons Excluded From the Sample Survey

Metro planning staff acknowledge that the survey approach used in the needs assessment significantly under-estimates the core housing need of single persons. The study design specifically excluded solicitation of data from the more than 50,000 persons who comprise Metro's rooming house population.

Metro did however undertake a "qualitative" survey of hostels and social service agencies which assist the homeless and those in need of emergency shelter. The study entitled, No Place To Go, and published in January 1983, was designed to augment and complement the larger assisted housing study by developing a general profile of the homeless population who would be missed in the mail-out survey. It estimated the number of homeless at 3,440.

There have been several recent initiatives by the City of Toronto to examine the housing and related needs of the ex-psychiatric population, largely concentrated in boarding and lodging houses in close proximity to the Queen Street Mental Health Centre. Agency staff and community groups most familiar with this population estimate the numbers involved to be between 1,300 and 2,000 persons.

The homeless and the ex-psychiatric patient population add up to approximately 5,000 persons, mostly single individuals. These numbers are likely in addition to the 23,405 single person households acknowledged to be in need of housing assistance in the Metro report. The number of single people in need of housing assistance would certainly have been greater yet had the Metro study included roomers and boarders.

If one assumes that the proportion of roomers and boarders in need of housing assistance resembles proportions amongst those single tenants living in self-contained dwellings, then an additional 5,500 non-elderly roomers and 3,600 elderly roomers would be in need of assistance, or a total of 9,100.

Overall, it can be conservatively estimated that 13,000 to 14,000 single persons not included in the Metro housing needs study sampling frame are in need of housing assistance, and in reality the numbers are likely much larger.

2.3 Additional Housing Need Arising in the Future

The Metro housing needs study and the resulting production targets for assisted housing rest on the assumption that there is a current need for housing and that it should be met over a 15 year period. The possibility that the need for housing assistance would change, either increasing or decreasing, was not considered. This is understandable. It is difficult to predict the future, and the magnitude of current need is awesome enough in itself. However, adequate planning usually dictates that future events be considered.

Two kinds of changes impinge on the future. The first, and more predictable, are demographic changes, or changes in the age and household structure in Metropolitan Toronto. The second, and much less predictable, are changes in economic circumstances. If rents increase faster than incomes, then need for assistance will increase. The same would be the case if more dwellings were demolished or otherwise removed from the housing stock, than built or added to the housing stock.

2.3.1 Demographic Changes

Looking forward to 1996 certain changes in the household and age composition of Metropolitan Toronto's population that might add to housing need are anticipated. The proportion of the population aged 65 years and over, 226,125 in 1981, is projected to increase to approximately 295,000.* The number of single person elderly households will increase by 30 per cent, while the number of elderly couple households will increase by 25 per cent. These changes alone, assuming constant tenancy preferences and need for assistance, would result in an additional 5,000 elderly households in need of housing assistance between 1981 and 1996.

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*Ontario Ministry of Municipal Affairs and Housing and the Association of Municipalities of Ontario, Study of Residential Intensification and Rental Housing Conservation, Part 2, Economic and Demographic Trends for the 80s and 90s, Toronto, March 1983, Table A-11.

Another group that tends to show a high incidence of needing housing assistance are single parent households. In 1981, 12.6 per cent of Metro's non-senior tenant households were headed by single parents. About 34 per cent of this group were judged to be in need of housing assistance. A recent study undertaken for the Ontario Ministry of Municipal Affairs and Housing projected that the number of single parent families in Ontario would increase by over one-third between 1981 and 1996.* Even a 25 per cent increase in Metropolitan Toronto, assuming a constant incidence of assistance need, would result in an additional 3,500 households needing assistance between 1981 and 1996.**

Other demographic trends are more difficult to define precisely. The number of young households with heads aged under 35 years will decline, but the number of older households with heads aged 35 - 54 years will likely increase substantially. The net impact of these opposing trends will be a 24 per cent increase in the number of families with children in Ontario by 1996 and at least a constant number in Metropolitan Toronto.*** We cannot say with certainty what impact the changing age distribution of families with children will have on the need for assistance. Nevertheless, the increase in the number of seniors and single parent families anticipated in Metropolitan Toronto will add at least 8,500 households to the number requiring assistance between 1981 and 1996.

2.3.2 Economic Changes

The need for housing assistance increases if rents increase more rapidly than incomes. Likewise, the need for assistance declines

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*Ibid, Table A-11.

**The increase in numbers of single-parent households in the Municipality of Metropolitan Toronto can be expected to be less than in the province as the proportion of households in the suburban ring outside Metro increases relative to the number of households inside Metro.

***Assumes a 25 per cent growth in Ontario's population, while the population of Metropolitan Toronto remains stable.

if rents increase more slowly than incomes. It is extremely difficult to predict what will happen in the future.

Rent controls were adopted in Ontario in 1975. From 1975 to 1982 average weekly earnings by Ontarioans increased by 68.7 per cent. Average rent increases in Metropolitan Toronto were slightly less: 63.6 per cent for bachelor units; 63.8 per cent for 1-bedroom units; 61.0 per cent for 2-bedroom units; and 55.5 per cent for 3-bedroom units. We conclude that problems of housing affordability, which accounts for the bulk of tenants receiving housing assistance, declined, although only slightly, during these eight years.

The future, though, to the extent that it can be forecast at all, may not be so rosy. In his April 1983 budget the federal Minister of Finance forecast an 11.1 per cent increase in real disposable income from 1982 to 1987, but this is hardly any increase at all in the light of a 10 per cent increase in population. Average compensation per paid employee was projected to increase by 32.2 per cent over this five year period, but even the annual 6 per cent ceiling currently existing for rent controlled buildings in Ontario would result in rent increases of 33.8 per cent. Average rent increases in Metropolitan Toronto have considerably exceeded this ceiling for at least the past three years.

The distribution of rents and changes in that distribution over time will have an impact on the future need for housing assistance. Of more particular concern to this Council, is the supply and affordability of rental accommodation available to low to moderate income persons and families. While overall rent levels are important, rapid increases in rent levels will most severely affect those of modest incomes seeking accommodation on the private market. This is borne out by the findings in Table 2.3 which takes a careful look at the proportion of low to moderate rental units in relation to the total number of units in Metro Toronto. The data clearly demonstrate that the existing stock of affordable rental housing for this group is declining rapidly.

Table 2.3

LOW TO MODERATE RENTS AS A PROPORTION OF TOTAL UNITS, 1983

Bachelors		Oct. 1981	Apr. 1983	Per Cent Decline	Income Required ($) to Afford Rent Level*
% Renting Under	225	18.2	5.6	69.2	10,800
	250	35.4	14.6	58.8	12,000
	275	60.2	33.9	43.7	13,200
	300	77.1	51.0	33.9	14,400
One Bedrooms					
% Renting Under	275	19.7	3.3	83.2	13,200
	300	41.0	11.9	71.0	14,400
	325	61.9	26.1	57.8	15,600
	350	76.2	45.3	40.6	16,800
Two Bedrooms					
% Renting Under	325	21.3	4.7	77.9	15,600
	350	40.5	12.0	70.4	16,800
	375	58.5	23.9	59.1	18,000
	400	70.9	39.8	43.9	19,200
Three Bedrooms					
% Renting Under	400	26.7	7.7	71.2	19,200
	425	48.7	15.6	68.0	20,400
	450	60.0	27.4	54.3	21,600
	475	64.9	41.7	35.7	22,800

Source: Canada Mortgage and Housing Corporation, "Rental Ranges of Occupied and Vacant Units," October 1981 and April 1983.

*Based on affordability criterion of 25 per cent of gross income.

The 1981 Census reveals that more than half of the 776,385 dwelling units in Metropolitan Toronto were built prior to 1961. The proportion varies from a high of nearly 70 per cent in the City of Toronto, to about 35 per cent in North York and Scarborough. Apartments have increased from 20 per cent of total dwellings in 1961 to more than 45 per cent in 1981. This shift is reflected in all six area municipalities.

The 1981 Census identified 43,640 dwellings as being in need of major repair across Metro Toronto, representing 5.6 per cent of total units both owned and rented. The Assisted Housing Study produces a remarkably similar figure when the incidences cited by the three target groups - non-senior tenants, senior tenants, and senior homeowners - are factored by the population for each group.

About 30 per cent of Metro's 381,000 rental units are in buildings which were constructed prior to 1961. More than three-quarters of the existing rental stock will be at least 30 years old by the turn of the century. The implications for maintenance and rehabilitation of retaining this stock needs to be evaluated. The rate at which this stock is eliminated and the affordability of the replacement stock also needs to be factored into any assessment of long-term supply requirements.

The aforementioned study by the Ontario Ministry of Municipal Affairs and Housing is quite apprehensive about the future course of rents in Metropolitan Toronto. Much of Metropolitan Toronto's rental stock was built in the 1960s and early 1970s and is reaching the age where considerable expenditures to conserve it will be required in the near future. Rent increases of 12 to 19 per cent in the 1982 - 1987 period just to cover these conservation expenditures are anticipated. The study participants conclude that most tenants can afford these increases. A significant number, however, cannot.

The future need for housing assistance is very sensitive to relative changes in income and rents. Table 2.4 illustrates the sensitivity concluded by one researcher. The report notes that a 10 per cent increase

in rents relative to incomes, could result in up to a 20 per cent increase in the proportion of households with an affordability problem. Based on this report, as well as on the short term projections of real incomes and potential rent increases, we do not think it is possible to draw any firm conclusions regarding increases in the magnitude of housing affordability problems in the near future.

Table 2.4

SENSITIVITY OF AFFORDABILITY MEASURES TO CHANGES IN RENTS RELATIVE TO INCOME, 1978

Per Cent Change in Rents Relative to Income	Per Cent of Households with Problems*
10% higher	27 - 36
5% higher	25 - 33
No change	23 - 30
5% lower	22 - 28
10% lower	20 - 26

*Depends on assumptions regarding proportion of rent that can be devoted to shelter.

Source: J. Miron, The Impact of Rent Review on Rental Housing in Ontario: A Staff Research Report, Ontario Ministry of Municipal Affairs and Housing, 1983.

2.3.3 Housing Supply

The demographic and economic trends noted above mostly relate to the demand for housing. Just as important in determining the need for housing assistance in the future are the supply of housing and events affecting it. Below we discuss other factors influencing the supply of rental housing, including the "deconversion" of multiple family dwellings to single family dwellings, the shrinking role of private rental housing starts in overall apartment starts and the interaction between the rental and home ownership markets.

The single factor which may have had the most negative impact on the need for housing assistance in the recent past is deconversion, also known as "white-painting" and "gentrification," and occurring primarily in the City of Toronto. Analysts at the Canada Mortgage and Housing Corporation estimate that over 8,000 dwellings were lost to deconversion in the 1971 to 1976 period.* The City of Toronto Planning Department estimate the net loss of nearly 5,000 more in the 1976 to 1979 period.** The total loss of what are referred to as owner-tenant properties, properties containing simultaneously the dwellings of owners and tenants, the latter as either lodgers or occupants of self-contained flats or apartments, was almost 11,000 units. This was counter balanced by an additional 4,000 owner-occupied properties, producing the lower "net loss." The kinds of units being lost most rapidly are likely precisely those with the lowest rent, thus explaining in part the rapid loss of low rent units on the private rental market. There is no way of knowing all of the events that will affect the low rent housing stock in the future, but it is a certainty that a continuation of this phenomenon will increase the need for housing assistance, all other factors being equal.

A supply factor also contributing to upward demand pressures on rents may be the high cost of home ownership, although lower interest rates in 1983 indicate a drop of 20 per cent in home ownership costs over 1982. With high home ownership costs fewer and fewer tenants can make the move to home ownership, and rent controls increase the desirability of remaining a tenant.

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*Canada Mortgage and Housing Corporation, Demolitions, Conversions, Abandonments, Working Paper #1, August 1979.

**City of Toronto Planning Department, Housing Deconversion, Research Bulletin 16, September 1980.

2.4 Conclusion

The estimate of the number of households currently needing housing assistance varies from a low of 30,000 to a high of 175,000. The lower figure is obtained by excluding from the need for assistance all of those households not currently eligible for provincial rent-geared-to-income (RGI) housing (all single person households under age 60 and other households with no children under 18 years), as well as all of those who perceived that they did not need assistance in the housing survey carried out by the Institute for Behavioural Research. If one includes these latter two categories another 60,000 households currently need housing assistance.

In addition to this 3,500 homeless persons and 9,000 roomers also require assistance, and the former require more than the emergency hostel accommodation currently available. Future demographic changes will add an additional 8,500 seniors and single parents to this roster. Altogether the data on housing need indicate that about 110,000 households will be in need of assistance over the next 15 years. Table 2.5 shows the distribution of need by household type. If the sole means of meeting the need of these households was the production of rent-geared-to-income units then a production target of 7,000 units annually would be required.

Table 2.5

HOUSEHOLDS REQUIRING HOUSING ASSISTANCE, 1981 - 1996

	Non-Seniors	Seniors	Total
Home-owners	-	15,000	15,000
One person	18,000	14,000	32,500
Couple, no children	6,000	12,000	18,000
Couple, children	24,000	-	24,000
Single parent	15,000	-	15,000
Other	6,000	-	6,000
Total	69,000	41,000	110,000

Chapter 3
ASSISTED HOUSING IN METROPOLITAN TORONTO

3.1 Rent-Geared-to-Income Housing in Metropolitan Toronto

The existing stock of public housing and rent-geared-to-income housing in Metropolitan Toronto is furnished by the Metropolitan Toronto Housing Authority, the Metropolitan Toronto Housing Company Ltd., and the City of Toronto Non-Profit Housing Company. In addition, there are rent-supplemented units in private rental buildings and in private non-profit and co-operative housing projects. As can be seen in Table 3.1 there are over 50,000 rent-geared-to-income, or assisted, units in Metropolitan Toronto.

The Metropolitan Toronto Housing Authority (MTHA) operates approximately 29,500 public housing units in 100 per cent rent-geared-to-income projects on behalf of the Ontario government. These include more than 22,000 units developed by the Ontario Housing Corporation between 1965 and 1976, as well as about 7,000 units built prior to 1964 under the old federal-provincial partnership or by the City of Toronto. In addition, MTHA manages just under 3,000 units under rent supplement agreements with private landlords through which up to 25 per cent of the units in a building are made available on a rent-geared-to-income basis. Table 3.2 details the development and location of these units.

The Metropolitan Toronto Housing Company (MTHC), wholly owned by the Metropolitan Council, builds and manages primarily 100 per cent rent-geared-to-income housing for senior citizens. MTHC was operating about 14,900 units of seniors housing, over 80 per cent of which were bachelor units, by the end of 1982. It has recently begun to develop a limited number of mixed-income family non-profit projects as well. A total of 718 family units, including 286 rent-geared-to-income units, were occupied as of December, 1982.

Table 3.1

GOVERNMENT ASSISTED HOUSING UNITS
IN METROPOLITAN TORONTO, DECEMBER 1982

	City of Toronto		Rest of Metro		TOTAL	
	Rent Geared to Income	Market	Rent Geared to Income	Market	Rent Geared to Income	Market
Metro Toronto Housing Authority						
Family	4,751	-	20,869	-	25,620	-
Seniors*	6,138	-	682	-	6,820	-
Total	10,889	-	21,551	-	32,440	-
Metro Toronto Housing Company						
Family	-	-	76	229	76	229
Seniors	3,516	203	11,299	0	14,815	203
Total	3,516	203	11,375	229	14,891	432
Cityhome						
Family	1,631	2,334	-	-	1,631	2,334
Private Non-Profit**						
Family	53	788	0	573	53	1,361
Seniors	179	4,057	367	2,427	546	6,484
Total	232	4,845	367	3,000	599	7,845
Co-operatives**						
Family	594	2,324	109	210	703	2,534
Seniors	0	127	0	0	0	127
Total	594	2,451	109	210	703	2,661
Entrepreneurs***						
Family	-	5,238	-	21,018	-	26,256
Seniors	-	0	-	462	-	462
Total	-	5,238	-	21,480	-	26,718
Other	5	634	-	388	5	1,022
TOTAL	16,867	15,705	33,402	25,307	50,269	41,012
Family	7,029	10,684	21,054	22,030	28,083	32,714
Seniors	9,833	4,387	12,348	2,889	22,181	7,276
Others	5	634	0	388	5	1,022

Footnotes

*This figure is an approximation as in addition to the 1,992 senior citizen units under the Rent Supplement Program MTHA allocates about 7,000 of their regular family units for senior citizen households.

**Does not include 56.1 PNP and RGI units as Canada Mortgage and Housing Corporation has not yet provided a breakdown of the number of rent-geared-to-income units in the private non-profit and co-operative units developed since 1978; includes OCHAP.

***These are market rent units built by private developers under such government assistance programs as Limited Dividend, Assisted Rental, Ontario Rental Construction Grants, Accelerated Rental, Ontario Rental Construction Loan and Community Integrated.

Table 3.2

SOCIAL HOUSING UNITS IN METROPOLITAN TORONTO
OPERATED BY THE METRO TORONTO HOUSING AUTHORITY

	1964 - 1971	1972 - 1976	Since 1976	Total
City of Toronto	7,837	1,658	-	9,495
North York	4,571	2,684	-	7,255
Scarborough	3,920	4,218	-1	8,137
Etobicoke	1,652	1,367	-112	2,907
York	901	538	-	1,439
East York	304	-	-	304
Metro Toronto	19,185	10,465	-113	29,537

Sources: Ontario Housing Corporation, Report to the Municipality of Metropolitan Toronto (1971, 1977); and Ministry of Municipal Affairs and Housing, Community Housing Division, Summary of Housing Units Under Administration, data as of December 31, 1982.

Cityhome, the City of Toronto's non-profit housing company, has been actively involved in the development and acquisition of low to moderate income rental housing since 1974. Cityhome manages about 4,000 units, of which some 1,600 are operated on a rent-geared-to-income basis.

In addition to these sources, a substantial body of rent-geared-to-income stock has been added through a variety of rent supplement programs in private buildings, as well as through the non-profit and co-operative housing programs. The rent supplement programs, which included the regular rent supplement, community integrated, accelerated rental, and assisted rental programs, have added another 2,875 units of rent-geared-to-income housing.

Finally, the stock of private non-profit and co-operative housing projects built in Metro since 1973 have added a further 2,300 to 2,800

rent-geared-to-income units. Metro's Assisted Housing Study adopted the lower figure but there is reason to suspect the number of rent-geared-to-income units in co-operative developments may have been under-estimated by as much as 500 units.*

3.2 Who Lives in Rent-Geared-to-Income Units?

As part of the Assisted Housing Study, Metro Toronto compared the income profiles of four categories of tenant households from its sample, with those for the same tenant households living in rent-geared-to-income units in MTHA, MTHC or Cityhome. In all cases, the income profiles of existing tenants were extremely low, even in relation to the incomes of tenants in private housing found to be in need of housing assistance.

The data in Table 3.3 show that nearly 60 per cent of single parent families living in MTHA have incomes of less than $10,000, while only 11 per cent are living on more than $15,000 a year. This compares with an income profile of 34 per cent under $10,000 and 28 per cent over $15,000 for those needing housing assistance. The profile of single parents in Cityhome projects are characterized by even lower incomes, with 68 per cent living on less than $10,000 a year.

For two parent families, the income profile of MTHA indicates that 55 per cent have incomes of less than $15,000 while only 18 per cent are above $20,000. The comparable figures for Cityhome are 60 per cent and 11 per cent respectively. By contrast, only 32 per cent of those in core housing need from the Metro survey had incomes of less than $15,000, while fully 45 per cent had incomes over $20,000.

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*Canada Mortgage and Housing Corporation indicates that about 30 per cent of its inventory of co-operative housing units in Metro are operated on a rent-geared-to-income basis. There were nearly 4,200 units of co-operative housing in Metro as of December 31, 1982.

Table 3.3

INCOME PROFILES OF FAMILY HOUSEHOLDS IN NEED,
AND THOSE LIVING IN RENT-GEARED-TO-INCOME UNITS

		M.T.H.A.			Cityhome	
Single Parent Families	Core Need (Survey)	Public	Rent Supp.	Waiting List	Tenants	Waiting List
Less than $10,000	34%	59%	47%	64%	68%	71%
$10,000 to $15,000	38%	30%	35%	27%	20%	23%
More than $15,000	28%	11%	18%	9%	12%	6%
Median income	$12,900	$8,900	$10,500	$8,300	$7,300	$7,200
Two Parent Families						
Less than $15,000	31%	55%	69%	64%	60%	72%
$15,000 to $20,000	24%	27%	21%	23%	29%	19%
More than $20,000	45%	18%	10%	13%	11%	9%
Median income	$19,350	$14,100	$12,100	$13,000	$13,100	$11,500

Source: Derived from Table 29 and 30A, Metropolitan Toronto Assisted Housing Study: Part I (May, 1983).

The income profile data for one and two person senior households shows a higher degree of congruence between those in need of assistance and those currently living in rent-geared-to-income units.

The conclusion to be drawn from this is clear. Existing rent-geared-to-income units are succeeding in housing those with the most extreme housing needs, as even rent supplement units are providing housing to people with median incomes which are 10 to 40 per cent less than those households found to be in need of housing assistance.

3.3 Growth in the Assisted Housing Stock

Tables 3.4 and 3.5 examine the record of social housing commitments for Metropolitan Toronto in the 1979 to 1983 period. Throughout this period, social housing starts have consistently made up 65 to 80 per cent of total rental starts. For the four years as a whole, social housing starts totalled 9,484 units, slightly less than 2,400 units/year.

While commitment levels were running in the 3,000 to 3,500 range in 1980 and 1981, they declined to the 2,000 to 2,500 range for 1982 and 1983. This substantial reduction is accounted for almost totally by a significant contraction in the allocations to private non-profits, and the failure of recent private rental assistance programs to furnish additional rent supplement units.

During the last couple of years there has been a substantial growth in the size of assisted housing waiting lists within Metropolitan Toronto. From December 1980 to December 1982, the MTHA waiting list increased from 3,693 to 6,894 households. Over this same period, the waiting list of the MTHC grew from 2,313 to 2,870. Finally, the waiting list of Cityhome increased from about 2,500 to 4,198 households. Taken together, the number of households on assisted housing waiting lists grew from 8,506 to 13,962 - an increase of 64 per cent.

Table 3.4

TOTAL SOCIAL AND MARKET RENTAL HOUSING DWELLING STARTS
IN METROPOLITAN TORONTO, 1979 TO 1982*

Year	Social Housing			Market Housing			Total Housing		
	Row	Apart-ment	Total	Row	Apart-ment	Total	Row	Apart-ment	Total
1982	541	3,480	4,021	62	1,364	1,426	603	4,844	5,447
1981	-	1,681	1,681	111	200	311	111	1,881	1,992
1980	435	1,746	2,181	38	982	1,020	473	2,728	3,201
1979	72	1,529	1,601	239	598	837	311	2,127	2,438
TOTAL	1,048	8,436	9,484	450	3,144	3,594	1,498	11,580	13,078

*Excludes condominium apartments and row houses which contributed 6,617 units and 495 units respectively to total dwelling starts during this period.

Source: Canada Mortgage and Housing Corporation, Toronto Office.

Table 3.5

SOCIAL HOUSING COMMITMENTS FOR
METROPOLITAN TORONTO, 1980 TO 1983*

	1980	1981	1982	1983**	1980 to 1983	
					Total	Annual Average
Private Non-Profit	1,823	1,460	677	686	4,646	1,162
Co-operatives	798	1,080	957	761	3,596	899
Municipal Non-Profit	176	560	786	777	2,299	575
Rent Supplement	245	367	13	44	678	170
TOTAL	3,042	3,476	2,433	2,268	11,219	2,805

*Includes both market and rent-geared-to-income units in assisted housing projects.

**Commitments for 1983 are preliminary figures only.

Source: Canada Mortgage and Housing Corporation, Ontario Regional Office.

Chapter 4
EVALUATING PAST AND CURRENT PROGRAMS

Numerous ways and means exist for assisting needy households. The housing supply-oriented programs, of which the public housing programs are a good example, are one way. A totally different approach would be a shelter allowance under which subsidies would be provided to individuals on the basis of need, the demand approach, and not tied to particular units as are subsidies under the supply programs. Public policy can be directed towards using any one of these means to satisfy unmet housing needs or any mix of the available options. Before considering future policy and program options, it is necessary to review and evaluate current and past housing policies and programs. Most of the current chapter is devoted to this task.

4.1 Subsidized Home Ownership for Low and Moderate Income Families

Housing assistance designed to foster increased home ownership has been an important element of senior government housing programs for over 40 years. Between the mid-1960s and mid-1970s home ownership assistance was a principal means of meeting the need for housing assistance. While no level of government is currently operating home ownership assistance programs in Ontario there is a need to review the experience with the previous programs.

4.1.1 Home Ownership Made Easy (H.O.M.E.)

Beginning in 1967, a variety of programs known as Home Ownership Made Easy were put in place to supply ownership housing at prices that low to moderate income families could afford. The HOME Program ran for ten years, at which point it was replaced by additional funding under the Ontario Housing Action Program to supplement the subsidies available to participants of the federal AHOP program. Under

the HOME program, the government acquired, developed and serviced land for residential purposes. The serviced lots were then leased to individuals, or to building contractors, who then sold the homes and transferred the lease to households.

The essential features of the program were two-fold. Government acted as developer, by acquiring and servicing lots at cost. The downpayment and carrying costs for the household were reduced by the fact that the land was leased, not purchased, based on development and servicing costs, rather than on the market value of the land. Households could purchase the lot after the fifth year of the lease at the market value of the land when the lease began.*

By 1973, a series of adjustments had occurred to streamline the program. The Ontario Mortgage Corporation started to provide financing at below market interest rates.**

In April 1974, family income restrictions were imposed.*** In August 1975 the land lease provisions were dropped in favour of a second mortgage using the Graduated Payment Mortgage provisions of the National Housing Act (NHA). All controls on HOME resales were terminated at the same time.

In all, HOME made available more than 25,000 serviced lots to primarily moderate income households. For example, 77 per cent of families participating in the program in 1974 had gross annual incomes

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*George Fallis, Housing Programs and Income Distribution in Ontario (Ontario Economic Council, Toronto: 1980).

**Peter Lepik, Review of Ontario Home Ownership Subsidy Programs (Ontario Ministry of Housing: 1980).

***In 1974 they were $14,500 for single earner families and $17,000 for two-earner families. These were adjusted to $17,000 and $19,000, respectively, in 1975.

of less than $15,000, and slightly more than a third had incomes below $12,000.* Table 4.1 provides a profile of 1974 beneficiaries.

Table 4.1

DISTRIBUTION OF HOME PLAN BENEFITS
BY INCOME GROUP, 1974

Income	Average Benefit	Ratio of Average Benefit to Average Income	Percentage of Income Class Participating
$	$		
0 - 5,999	-	-	-
6,000 - 7,999	1,478	.20	-
8,000 - 9,999	1,494	.16	.5
10,000 - 11,999	1,355	.12	1.5
12,000 - 14,999	1,274	.10	1.8
15,000 - 24,999	1,174	.07	.5
25,000+	-	-	-

Source: George Fallis, Housing Programs and Income Distribution in Ontario (Ontario Economic Council, Toronto: 1980), p.95.

Note: Above data is based on an estimate of the benefits accruing to a marginal additional participant.

The HOME program has been criticized on a number of grounds. Many HOME purchasers were upwardly mobile, receiving large subsidies long after the need had disappeared. Secondly, the various adjustments to the program produced net results in terms of reducing downpayments and carrying costs that might have been more easily achieved through high ratio low-interest mortgages. Finally, the wisdom of subsidizing home ownership for middle income families at all, given the more pressing needs of low to moderate income renters has been questioned. The majority of beneficiaries had incomes equal to or greater than 80 per cent of the provincial average.

*The median family income in Ontario for 1974 was estimated at $14,980.

4.1.2 Assisted Home Ownership Program (A.H.O.P.)

The federal AHOP program was introduced in 1973 as a result of amendments to the NHA. The program had four basic objectives: 1) to extend the opportunity of home ownership to families whose incomes are presently inadequate to enter the home ownership market; 2) to provide more families with an alternative to renting; 3) to encourage the building industry to produce modestly priced housing; and 4) to support existing provincial initiatives aimed at providing ownership assistance.*

The AHOP program was initially targeted at low to moderate income families with children. Families qualifying for assistance could put as little as 5 per cent down, with Canada Mortgage and Housing Corporation providing a mortgage for the remainder. Interest rate adjustments were available to subsidize mortgages down to 8 per cent. A maximum grant of up to $600.00 per year on top of the interest subsidy was available to the lowest income families.

An examination of the income distribution of participants in AHOP in Ontario for 1974, the first full year of the program, revealed that 65 per cent had gross incomes of between $8,000 and $11,999 and 95 per cent had incomes under $15,000. The program was effectively targeted at moderate income householders.**

By 1976 the social housing objectives of the program had been largely supplanted by the objective of increasing housing production. The income eligibility criteria were dropped entirely, and the mortgage subsidies and grant replaced by an interest reduction loan and up to $750 annually to be phased out at the end of five years. Starting in the sixth year, the loan was repayable through a graduated payment mortgage (GPM).***

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*Canada Mortgage and Housing Corporation, General Memorandum #B-765 (Ottawa: 1973).

**George Fallis, Op. Cit., Chapter 5.

***Ibid.

Ontario opted to stack a subsidy of up to $750 per year under the OHAP program. This had the effect of making it possible for families in the $7,000 to $9,000 range to participate in the program.*

The resulting AHOP program had a number of serious flaws. The program was premised on the continuation of house price inflation and on incomes rising faster than mortgage and home financing costs. Though participants were heavily subsidized in the first year, the level of subsidy was gradually phased out over five years. Thus, many low and moderate income families were enticed into buying a home whose maintenance would prove difficult when the subsidies ended. Ontario families receiving grants from both senior levels of government were especially vulnerable. Families with incomes of $9,000 to $12,000 were enabled to purchase homes that without assistance would have required incomes of $17,000 to $22,000 to acquire. Many such families facing increases of 150 to 200 per cent in their monthly housing costs six years down the line were forced to abandon their homes. By the end of 1981, more than 6,000 of the approximately 11,000 AHOP units which had defaulted across Canada were in Ontario, and over 3,000 were in the suburban fringe of Metropolitan Toronto. The federal AHOP was discontinued in 1979 as part of the federal government's austerity program of the day.

4.1.3 Recent Government Initiatives

As a response to sluggish housing markets and low levels of residential construction in the latter half of 1981, both the federal and provincial governments introduced programs to encourage home ownership. The federal Canada Home Ownership Stimulation Plan (C.H.O.S.P.) offered $3,000 grants to all buyers of new homes and to first-time buyers of resale homes. The Ontario Renter-Buy program formed a provincial counterpart to the federal initiative, offering $5,000 interest-free

*Albert Rose, Canadian Housing Policies, 1935 - 1980 (Toronto: 1980), Chapter 4.

loans for 15 years to first-time buyers of new homes.* Neither of these programs was intended to serve primarily a low or moderate income market.

4.2 Assistance to Construct Private Sector Rental Housing

With the abandonment of 100 per cent rent-geared-to-income housing for families in the mid-1970s, government assistance aimed at increasing the supply and affordability of rental housing has focused on private sector subsidies. This section reviews the tax incentives, grants and other subsidies, such as guaranteed return on equity, associated with assisting the production of rental housing.

4.2.1 The Assisted Rental Program

The federal Assisted Rental Program (ARP) was established in 1975 in the face of dramatic declines in the volume of rental housing starts, the upward pressures on market rents in tight rental markets and with the objective of providing shallow rental subsidies to moderate income households while simultaneously stimulating the supply of new housing. Though the program underwent a number of modifications before being phased out in 1978, it maintained its goal to stimulate the production of private rental housing for low and moderate income households.**

Throughout much of this period, assistance under ARP took the form of 10 year interest-free loans. ARP agreements guaranteed the builder a minimum return on equity, usually between 5 and 10 per cent, depending on local market conditions. Interest-free loans were

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*Metropolitan Toronto Planning Department, Annual Housing Report 1982 (March 1983).

**D. Hulchanski, The Assisted Rental Program (ARP), 1975 - 1978: An Evaluation (Ottawa: Co-operative Housing Federation of Canada, 1982), p.3.

available up to $1,200 a unit per year and restrictions were placed on rent levels in the first year of operation.

The above provisions were supplemented by the Multiple Unit Residential Buildings (MURB) tax shelter provisions enacted in 1974. In 1977, Ontario added a further incentive to builders in the form of the Ontario Rental Construction Grant, which offered up to $600 loans per unit on top of the federal assistance. Like the federal loans, these were gradually reduced over a ten year period.

By December 1980, nearly 123,000 ARP units had been constructed across the country, more than 40,000 of these in Ontario. However, these figures significantly overstate the contribution of ARP to the supply of rental accommodation. Two econometric evaluations have estimated that about 40 per cent of the units built under ARP in 1976 would have been built anyway.*

The ARP program can be criticized on the basis of its large subsidy costs and on its failure to target the rental units produced to low and moderate income households. The tax shelter provisions provide benefits equivalent to an interest-free loan worth 15 to 25 per cent of a project's total cost.** The direct cost of the interest-free ARP loans to Canada Mortgage and Housing Corporation between 1976 and 1979 totalled $555 million, or about $4,500 per unit. Studies in both Toronto and Vancouver have compared the cost of providing a comparable unit funded under the Assisted Rental Program and the Non-Profit housing program. Each study reached the conclusion that the large tax write-offs and interest deferments made ARP about 50 per cent more costly than the non-profit approach.***

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*Irwin Lithwick, An Evaluation of the Federal Assisted Rental Program, Canada Mortgage and Housing Corporation, Program Evaluation Unit (Ottawa: 1978).

**Clayton Research Associates Ltd., Tax Expenditures - Housing (Ottawa: Canada Mortgage and Housing Corporation, 1981); and Canadian Institute of Public Real Estate Companies, Shortage of Rental Housing, 1982.

***D. Hulchanski, Op. Cit., p.15-16.

The ARP program failed totally in its objective of providing affordable rents for moderate income tenants. The absence of effective controls on rents after the first year have resulted in ARP rents which are appreciably above average market rents in several cities. Data outlining the comparative rents in four Canadian cities are shown in Table 4.2 below.

Table 4.2

COMPARISON BETWEEN AVERAGE MARKET RENTS AND AVERAGE RENTS CHARGED FOR NEW ARP UNITS, JULY, 1977

Location	Average Market Rent (in $)	Average Rent Charged for New ARP Units	% Difference
Montreal	152	298	96%
Saint John	141	231	64%
Toronto	243	320	32%
Vancouver	233	264	13%

Source: CMHC (1980) An Analysis of the Market Factors Behind the High ARP Default Experience, Ottawa: CMHC, Market Forecasts and Analysis Division.

4.2.2 Recent Government Initiatives: ORCL and CRSP

In 1981, the Ontario government introduced the Ontario Rental Construction Loan Program (ORCL) in an attempt to increase the supply of affordable rental housing, particularly in tight rental markets. The program provides an interest-free loan of up to $6,000 per unit secured by a second mortgage with repayment between the 16th and 25th year of a 25 year agreement. A one-year program designed to stimulate

construction of 15,000 units, ORCL had approved construction starts on 16,715 units by April, 1982.*

Unfortunately, the provisions of the ORCL program offer no greater controls on targeting the units produced to those in need than did the ARP program. Rent levels in the projects are only controlled during the initial year. The reliance on Canada Mortgage and Housing Corporation's maximum unit prices to limit construction costs is an inadequate cost control mechanism for assuring the production of affordable units. The ORCL requirement that owners offer up to 20 per cent of their units to local housing authorities for rent supplement tenants has also failed. As of April 1982, barely 6 per cent of ORCL units had been allocated to rent supplement households.**

The program has also been largely unsuccessful in directing development toward tight rental markets. For example, the tight rental markets in Toronto, Hamilton and Oshawa represent more than 30 per cent of Ontario's population but less than 10 per cent of rental construction under ORCL.

In short, the ORCL program suffers from many of the same weaknesses as the earlier ARP program, providing massive public subsidies equivalent to 35 per cent of the capital cost of a project with little to guarantee that the units provided will meet the needs of moderate income renters.***

ORCL investors are allowed to take advantage of federal tax incentives including MURB subsidies. Based on 1981 cost estimates from several projects, the City of Toronto has determined that the

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*D. Hulchanski, Interest-Free Loans As A Method of Stimulating Private Rental Housing Construction, Research Memo #2 (Ottawa: Co-operative Housing Foundation of Canada, 1982).

**Ibid, p.2.

***Ibid, p.3.

total ORCL subsidies were equivalent to a grant of $30,669 per unit. This was almost identical to the average $31,438 subsidy for units built under the non-profit program in that year.

The Canada Rental Supply Plan (C.R.S.P.) was announced in the November 1981 federal budget and implemented in May 1982. The program has a supply target of 30,000 units of which up to 33 per cent are to be made available under the rent supplement program and 5 per cent designated for the disabled. Mortgage terms and assistance operates in a manner similar to the ORCL program.*

As of December 1982, Canada Mortgage and Housing Corporation had approved 1,887 units within Metropolitan Toronto under the program. Subsidy levels of up to $15,000 per unit were available, though unlike ORCL, the federal program did not permit investors to stack per unit subsidies on top of MURB subsidies. As of December 1983 only 25 of the units had been leased under the provincial rent supplement program.

4.3 Public Housing

From the establishment of the Ontario Housing Corporation (OHC) in 1964, the addition of new public housing units for families and seniors averaged between 3,000 and 3,500 in Metro Toronto during each of the next ten years. The MTHA currently manages a portfolio of 29,500 units. Except for the provision of a few senior citizen housing projects through the MTHC, there has been little new public housing constructed in Metropolitan Toronto since 1975.

The eventual abandonment of 100 per cent rent-geared-to-income housing projects for families in the mid-1970s has been an important contributing factor in the failure of federal and provincial housing programs to meet the growing needs of low and moderate income renters.

*Ibid, p.1.

Social housing program initiatives since 1973 have concentrated on attempts to integrate low-income tenants as part of mixed-income housing projects. As many of these developments are only 25 per cent rent-geared-to-income, it requires up to four times the number of units to house low-income tenants under the non-profit and co-operative housing programs as it did formerly under the public housing programs.

In recent years, some critics have advocated the selling off of some portion of Metro's public housing portfolio on the grounds of reducing social problems and the stigma associated with living in large public housing developments. The Metro planning department's 1979 report, Options For the Future, advocated that OHC's assets in Metro be sold to a new Metro non-profit housing corporation and that at least 50 per cent of the units be made available at market rates.

Such a proposal would have required the relocation of nearly 15,000 low-income tenant households over a ten year time frame. Metro was forced to abandon the proposal due to intense public pressure, together with serious doubts concerning the ability to rehouse the relocated families.

Proposals to sell off the MTHA portfolio, however, are still far from dead. In August 1983 a joint committee of the MTHA and the North York Council recommended that the absolute number of public housing units in the Jane/Finch area of Metro be reduced substantially. The committee stopped short of recommending that specific buildings be sold.*

Proposals to sell off segments of the family public housing portfolio are also motivated by a desire to reduce the long-term cost of funding the operating subsidies of the existing projects. The

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*MTHA, Memorandum to NY/MTHA Committee on Subsidized Housing in the Jane/Finch Area, August 2, 1983.

average subsidy level on the 29,500 public housing units under the management of the MTHA in 1983 is about $295 a month per unit, for an annual cost of $104.5 million.

4.3.1 Rent Supplement Programs

In addition to the rent supplement units provided in cooperative and non-profit housing projects under Section 44(1)(b), rent-geared-to-income units are also provided in private rental buildings through landlord agreements under Section 44(1)(a) of the National Housing Act.

The program is designed to provide an alternative to regular public housing projects, enabling low-income tenants to be more effectively integrated with the surrounding community. With the curtailing of the public housing programs, private rent supplement units presented an attractive short-term solution in creating new R.G.I. units while reducing provincial demands on Canada Mortgage and Housing Corporation's capital budget.

Up to 25 per cent of the units in a designated project can be leased from the landlord to the province. The cost of subsidizing the market rents down to the provincial rent-geared-to-income scale is shared equally by the federal and provincial governments. Tenants are derived from public housing waiting lists.

The Assisted Housing Study notes that Metro's current stock of rent supplement units houses about 30 per cent family, 60 per cent senior, and about 10 per cent singles and couples under age 60.**

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*The total cost of R.G.I. subsidies for 1983, including MTHC's senior citizens' housing and rent supplement units in private apartments and non-profit projects was $146 million, or $2,900 per unit per year.

**Metropolitan Toronto Planning Department, Op. Cit., (October, 1983), p.24.

This reflects in part the fact that private developers tend to offer smaller units for rent supplement. The study also found that the incomes of R.G.I. tenants in private rent supplement units roughly parallel those in public housing or R.G.I. units in Cityhome, although the incomes of single parent families were found to be somewhat higher.

In the short-term, private rent supplement units appear to be an attractive alternative to public housing. They are supportive of two of government's major social housing program thrusts in recent years: 1) an increasing reliance on private sector capital in providing housing for low and moderate income groups, and 2) an emphasis on mixed-income approaches to social housing, which seek to integrate low-income households into the larger community.

There are serious questions about the longer-term benefits of such an approach. An evaluation of the long-term cost effectiveness of the private rent supplement program prepared by Canada Mortgage and Housing Corporation in 1978 found that after about the eighth year public housing provided directly by public authorities is cheaper.* Information concerning current subsidy commitments in Ontario indicate that the average per unit subsidies for rent supplement and public housing units are very similar, at $225 and $220 per month respectively.** If the smaller size of private rent supplement units is taken into account, however, it could be argued that the rent supplement program is not cost effective.

In tight rental markets such as Metro Toronto, rent supplement units have been based almost entirely in newly constructed buildings. High land and construction costs produce such high market rents that it is becoming increasingly uneconomic for the government to make use of

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*Susan Carey, Evaluation of the Private Rent Supplement Program 44(1)(a) in Canada (Ottawa: Program Evaluation Division, Canada Mortgage and Housing Corporation, 1979).

**Derived from data supplied by the Ontario Ministry of Municipal Affairs and Housing.

available units. Thus, while the Ontario Rental Construction Loan program provided grants and tax subsidies in excess of $30,000 per unit to encourage private rental construction, the market rents within completed projects are such that the government is opting not to make use of many of the rent supplement units available as part of the agreements. The Assisted Housing Study estimates that the province has failed to take up nearly 700 such units, or about 85 per cent of the total, created in Metro under either ORCL or CRSP.*

4.4 Co-operative and Non-Profit Housing

Widespread opposition to 100 per cent rent-geared-to-income public housing projects was growing by the late 1960s. Critics were increasingly advocating the need for a mixed-income approach to reduce social tensions and the stigma associated with larger public housing projects.

The 1973 amendments to the National Housing Act created the opportunity of a greatly expanded role for non-profit and co-operative housing projects in providing housing for low-income households, but in mixed-income projects that would serve moderate income families as well. Provincially or municipally owned housing corporations, charitable non-profit groups and co-operative societies were included as sponsors. Under Sections 15.1 and 34.18 mortgage financing for 100 per cent of project costs was available from Canada Mortgage and Housing Corporation amortized over a 50 year period at 8 per cent per annum. A further subsidy in the form of a capital grant equal to 10 per cent of project costs was also available. Ontario matched the 10 per cent capital grant where project sponsors agreed to set aside 25 per cent of their units for rent-geared-to-income tenants.

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*Metropolitan Toronto Planning Department, Op. Cit., (October, 1983), p.50.

Further subsidies, shared equally by the federal and provincial governments, were available to provide up to 25 per cent of the units as rent-geared-to-income housing. By the late 1970s the non-profit and co-operative housing programs had all but replaced the provincial public housing program in providing assisted housing to low-income households.

Also by the late 1970s Canada Mortgage and Housing Corporation and the federal government were becoming concerned about the size of the Corporation's capital budget. At the same time that Canada Mortgage and Housing Corporation decided to cease providing capital funds for public housing projects it also decided that it would no longer provide capital funds for non-profit and co-operative housing projects. In 1978 a new Section 56.1 to the NHA replaced the programs funded under 15.1 and 34.18. Henceforth, capital costs were to be financed by approved private lenders. The federal government assistance took the form of a differential interest subsidy that reduced the effective rate of interest to 2 per cent.

This mortgage writedown was intended to create a subsidy pool to serve two purposes: firstly, to allow for the reduction of economic rents to the rent level at the lower end of the private market, and secondly, to enable a larger proportion of the tenants housed in the project to pay rents geared to their incomes.

Unlike the 1973 program, where subsidies to provide rent-geared-to-income units were cost-shared equally between the federal and provincial governments, the new program involved no provincial assistance until the full extent of available federal subsidies have been used. In addition, the method for establishing low-end of market rents, based as it is on the non rent-controlled stock only, produces rent levels which are beyond the means of moderate income tenants.

The changes in both the method of determining market rents and for calculating the subsidy pool from which to assist low-income tenants have had a decided effect on the income profile of tenants. The propor-

tion of tenants in the lowest two income quintiles for all renters has been reduced, while the proportion of tenants in each of the highest three income quintiles has increased. Even so, between 33 and 43 per cent of the units in the 56.1 non-profit and co-operative projects are occupied by households experiencing a core housing need.*

The mechanism for generating the subsidy pool under Section 56.1 encourages non-profit and co-operative developers to accept the requirements concerning high market rents as this will increase the total subsidy pool available for low and moderate income tenants. On the other hand, the high market rents require that the subsidies be spread across a larger and larger proportion of tenants in an attempt to keep down the rents of moderate income families in the $18,000 to $24,000 range.

Given their mixed-income character, the non-profit and co-operative programs are not the most cost-effective method of providing rent-geared-to-income housing. By design, a portion of the total subsidy dollars are directed toward the provision of low-end of market housing for moderate income households. When subsidy costs are examined in relation to the total units produced however, the non-profit programs emerge as the most cost-effective social housing programs.**

Even with their mixed-income character, the 56.1 programs were found to have a very progressive effect on income redistribution. Table 4.3 examines the distribution of benefits by income group. It reveals that the level of benefits is greatly skewed toward the lowest income households participating in the programs. Households with incomes under $10,000 received more than 70 per cent of total benefits, while those whose incomes exceed $20,000 received less than 9 per cent.

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*Canada Mortgage and Housing Corporation, Section 56.1 Non-Profit and Co-operative Housing Program Evaluation (Ottawa, November 1983), p.205.

**Ibid, p.306.

Table 4.3

DISTRIBUTION OF BENEFITS FOR SECTION 56.1 PROGRAMS, BY INCOME GROUP

Income Group	Average Benefit	Distribution of:	
		Households	Benefits
	$		
0 - 4,999	1,535	4.0	18.4
5,000 - 9,999	652	26.6	52.0
10,000 - 14,999	341	18.7	12.0
15,000 - 19,999	174	16.6	8.7
20,000 - 24,999	130	14.0	5.5
25,000 and Over	57	20.1	3.4

Source: Derived from data appearing in Section 56.1 Non-Profit and Co-operative Housing Program Evaluation, p.212 - 215.

4.5 Shelter Allowance Programs

Shelter allowances involve a direct cash payment to eligible households which is portable and transferable from one dwelling to another. The arguments in favour of shelter allowances rest on the following premises: 1) they can be easily targeted to households in need; 2) they maximize choice since subsidies go to individual households, not dwelling units; 3) they achieve greater horizontal equity as assistance is provided to all eligible households on an equal basis; and 4) they permit low-income households to participate more effectively as consumers in the private market, reducing the need for direct government intervention in housing supply.*

*D. Hulchanski, Shelter Allowances and Canadian Housing Policy: A Review and Evaluation (Toronto: University of Toronto, Centre for Urban and Community Studies, 1984).

4.5.1 Shelter Allowances in Canada

The costs of implementing a shelter allowance program can vary considerably depending on: 1) the types of households which are eligible, 2) the limits on income levels, 3) the choice of rent thresholds and ceilings, and 4) the percentage of rent that is to be subsidized. The eventual cost will be strongly shaped by market factors as well, particularly the housing cost inflation and vacancy rate characteristics.

There are currently four shelter allowance programs operating in Canada: British Columbia; New Brunswick; Manitoba, and Quebec. All except Manitoba are designed to assist senior citizens aged 65 years and over. The Manitoba program is aimed at both families with children and older persons aged 55 years and over. All programs have income limits derived from base rents, with subsidies available to cover between 50 and 100 per cent of rental costs over a certain per cent of gross income, either 25 or 30 per cent.

Given the tight rental market which exists in many larger Canadian cities, the introduction of a national shelter allowance program could lead to substantial inflationary impacts. A report prepared for Canada Mortgage and Housing Corporation in 1981 demonstrated that the combined effect of housing cost inflation and increased consumption of housing expenditures resulting from such a program could reach ten times the original estimate based on a straight shelter gap formula applied to existing units.*

4.5.2 Shelter Allowances: An International Perspective

Shelter allowances have a much longer history in many European countries than they do in North America, although the nature of the programs varies substantially from country to country. Sweden and

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*Clayton Research Associates, The Impact of Shelter Allowances, a report prepared for Canada Mortgage and Housing Corporation (Toronto: 1981).

Finland's programs are limited to families. Denmark and Norway limit their programs to the elderly and disabled. Britain and the Netherlands exclude welfare families. A few programs are universal, applying to all households, exclusive of type and tenure, within a given income range.*

Nearly all programs set income limits for eligibility and maximum rents. In comparison with Canadian programs, most European countries set income limits which are quite high. For instance, many middle-income households are eligible under program conditions in Germany and the Netherlands. In Sweden, there are high income limits set for single parent families and those where both parents work.

Maximum rents covered and the amount of subsidy varies considerably as well. The contribution of recipients is based on income and family size, among other factors. Minimums in the 14 to 17 per cent range exist in Canada, the United States and the Netherlands. While some countries will pay the full difference between a recipients contribution and their actual costs, others will cover only a portion of this gap, often 70 to 75 per cent.**

In Sweden and Denmark, where a portion of the shelter allowance must be used by landlords for maintenance, there has been a marked improvement in housing consumption and overall quality. By contrast, though this was a prime objective of the U.S. program, there has been little evidence of improved housing quality.*** This reflects in part that recipient households in the U.S. spend 60 to 70 per cent of their allowances on the purchase of non-shelter items. Finally, participation rates fluctuate significantly, from well over 50 per cent in Britain,

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*Forma Consulting, Review of the International Experience With Housing Allowances, prepared for Canada Mortgage and Housing Corporation (Ottawa: Canada Mortgage and Housing Corporation, 1978), summarized in Canadian Council on Social Development, "Are Housing Allowances the Answer?" Proceedings (Ottawa: 1978).

**Ibid, p.56.

***Ibid, p.56.

Germany and Sweden to only about 1 per cent in the Netherlands. The U.S. experience reveals participation in the 30 to 35 per cent range.

4.5.3 Shelter Allowances: Problems and Prospects

There are several problems associated with implementing a shelter allowance program. The potential for substantial rent inflation has already been noted. Ironically, it is the success of shelter allowances in targeting assistance to a particular segment of the market thereby concentrating the demand pressure, that can result in significant inflationary impacts in tight rental markets.

Further, the U.S. and Canadian experience to date indicates participation rates in the 25 to 50 per cent range. This, coupled with the unequal level of subsidies available to households of the same size and income, since subsidies are based on rental payments, greatly undermine horizontal equity.

The long-term cost and distribution of benefits associated with a shelter allowance program present real difficulties. The experience of shelter allowance programs indicates that many recipients will stay in their present homes, or use a substantial proportion of their allowance to increase expenditures on non-housing items.

Finally, high levels of rent inflation will result in the largest portion of the subsidy simply being passed through to landlords. This is a dubious use of taxpayers dollars to subsidize the profit and equity positions of the owners of rental property.*

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*D. Hulchanski, Op. Cit.

4.6 The Conservation of Existing Housing

With the continuing inability of the private sector to build housing for low and moderate income households, and the failure of senior governments to fund adequate supply programs, issues relating to the conservation of the existing housing stock have taken on added importance. This is especially true for tight rental markets with high land development costs such as Metropolitan Toronto. The Assisted Housing Study identified more than 35,000 renting households, over nine per cent of the total, living in physically inadequate dwellings.

This section reviews three broad aspects of conservation and, where appropriate, the program initiatives that relate to them. These aspects include: 1) maintenance and rehabilitation, 2) renovation and conversion, and 3) demolition control and retention.

4.6.1 Maintenance and Rehabilitation

The 1973 amendments to the National Housing Act established the Residential Rehabilitation Assistance Program (RRAP), which in conjunction with the Neighbourhood Improvement Program (NIP), represented a major new initiative designed to ameliorate the problems associated with physically inadequate and deteriorating dwellings.

This program thrust indicated a major shift in Canadian urban housing policy away from approaches focusing exclusively on increasing new supply through slum clearance and urban renewal toward a more balanced approach incorporating renovation, rehabilitation and enhancement of existing communities. The community orientation of the program facilitated the involvement of local government, neighbourhood groups, individual homeowners and landlords in working together to improve the housing stock and physical fabric of their communities.

The RRAP program provided a loan/grant incentive to homeowners and landlords within NIP areas, and to non-profit housing corporations

located anywhere, for purposes of sanitation, structural repairs and other physical improvements to the dwellings.

In 1974, the Ontario government introduced the Ontario Home Renewal Program (OHRP) to complement and augment the federally-sponsored RRAP and NIP programs. It extended the assistance available to owner-occupants, by increasing the financial payment under RRAP thereby reducing the amount of loan or increasing the money available for repairs. Further, OHRP was applied to other areas not covered by the federal program and could be used to finance exterior improvements. Initially targeted at families with incomes of up to $11,000 in 1974, OHRP funds were available to families with incomes up to $15,500 by 1981.

Between 1974 and 1982, as can be seen in Table 4.4, the two programs assisted in the rehabilitation of between 40,000 and 45,000 dwelling units with combined expenditures of about $291 million.

Criticisms of the RRAP program have focused on confusing and time-consuming application procedures, difficulties with poor contractors and the need for better inspections, as well as the need to increase the upper limit of the forgiveable loan to permit major repairs. Previous evaluations indicate that both landlords and owner-occupants have been generally satisfied with the program. An evaluation done in 1979 revealed that for every thousand dollars of homeowner forgiveness, $1,610 in rehabilitation was generated; each thousand dollars in rental RRAP forgiveness produced $2,320 in rehabilitation work.*

4.6.2 Renovation and Conversion

The 1973 amendments to the National Housing Act contained provisions allowing non-profit and co-operative housing projects to renovate and convert existing dwellings in order to house more low and

*Canada Mortgage and Housing Corporation, An Evaluation of RRAP (Ottawa: 1979).

Table 4.4

UNITS ASSISTED AND EXPENDITURES ON RESIDENTIAL REHABILITATION IN ONTARIO, 1974 - 1982

	Residential Rehabilitation Assistance Program		Ontario Home Renewal Program	
	Units	$(000's)	Units	$(000's)
1974	N/A	6.4	2,395	16.0
1975	2,130	6.4	4,208	19.5
1976	3,967	17.2	3,650	23.0
1977	4,680	22.4	4,252	23.0
1978	4,685	22.8	5,074	20.0
1979	1,618	6.9	5,465	20.0
1980	1,761	6.7	3,929	20.0
1981	2,666[p]	6.8	4,700	20.0
1982	5,042[p]	13.9	N/A	20.0

p = based on preliminary figures which exclude some units.

*In many instances, owner-occupied units receiving assistance under the RRAP program are eligible for further assistance under OHRP. Hence, the two sets of figures presented do involve a substantial amount of double-counting.

Sources: Canada Mortgage and Housing Corporation, Inter-Governmental Relations Unit, Housing and Housing-Related Programs Inventory (June 1982); Canada Mortgage and Housing Corporation, Toronto Regional Office.

moderate income households. The program funding conditions available for residential renovation and for conversion of non-residential to residential use were identical to those relating to new construction. The maximum grant was $3,750 the same as under homeowner and landlord RRAP.

More recent government initiatives have been directed toward using renovation and conversion to increase the supply of low-cost rental accommodation. The province's Convert-to-Rent Program, announced

in November 1983, involves interest-free loans of $7,000/unit to convert warehouse space, upper floors above retail stores and under-used public buildings into rental units. It is targeted toward municipalities with a vacancy rate of less than 2 per cent. The maximum unit cost permitted in Metro Toronto is $50,000, with up to 25 per cent of units to be offered to the MTHA for use under the Rent Supplement Program. The loan is interest-free for 15 years. First year rents are negotiated with the province.

The Convert-to-Rent Program represents an interesting departure, combining a renovation and rehabilitation approach to make more efficient use of existing space with more traditional housing supply incentives. Non-profit and co-operative housing agencies are eligible to seek funding under the program provided NHA Section 56.1 funding is not used.

In addition, the province is currently evaluating the feasibility of providing incentives to owner-occupants to create self-contained rental units within their dwellings. A demonstration project involving four municipalities, including the City of Toronto, is in progress. Funding is similar to the Convert-to-Rent Program with a maximum of $7,000/unit available, though the amount varies from 100 per cent funding down to 50 per cent for family incomes over $35,000.

It remains to be seen how successful these recent program initiatives will prove to be. Nonetheless, they form an important new direction in government housing policy.

4.6.3 Demolition Control and Retention

The existing stock of affordable rental housing in Metropolitan Toronto has come under increasing threat in recent years. While the private sector has been unable to build affordable rental housing, the existing stock continues to be eroded through demolition and deconversion.

Further, private developers unhappy with the investment returns represented by older apartment buildings are increasingly looking to convert these properties to apartment hotels or to condominium use.

The 1981 amendments to the province's Planning Act permit municipalities to establish demolition control by-laws with respect to any area that is subject to a maintenance and occupancy by-law. This provision enables area municipalities to refuse demolitions, but only in situations where a building permit has not been issued to redevelop the site. Other provisions of the Act might be used to effectively delay the issuance of a demolition permit for up to two years, but the real power of municipalities to control demolitions is, in fact, very limited.

The City of Toronto tried in the spring of 1982 to get permission to refuse demolitions in cases where the existing supply of affordable rental housing was adversely affected. Introduced as a private member's bill in the Ontario Legislature, this request was turned down. More recently, the City has redrafted its proposal to seek permission to delay demolition for a period of up to two years. This period would be used to enter into negotiations with developers in an attempt to retain some or all of the affordable rental stock. There are no indications to date that the province will be more receptive to this proposal.

Meanwhile, a mounting number of older rental apartments await the outcome of the City's initiative. By September 1983, 45 buildings involving 1,321 dwelling units were involved at various stages of the demolition process. These numbers are a conservative estimate of the number of units which are actually threatened. They include only those buildings for which the developers have obtained a demolition permit, applied for a permit, or expressed an intention to apply once the City's initiative is resolved one way or the other.

Chapter 5
A NEW HOUSING AGENDA FOR METROPOLITAN TORONTO

5.1 The Current Political Climate

A re-examination of the public sector role in ensuring that low-income groups have access to suitable, affordable housing is currently taking place at all three levels of government. The federal government, through Canada Mortgage and Housing Corporation, is in the process of evaluating the overall effectiveness of its social housing programs, and, in particular, the performance of the current non-profit and co-operative housing programs. The province of Ontario is re-assessing the operation of its rent review legislation, and has funded several research studies concerning attempts to conserve the existing stock of affordable rental housing. Metropolitan Toronto has undertaken several recent initiatives designed to increase the housing opportunities for both low-income families and single persons.

5.1.1 Evaluating the Effectiveness of the Non-Profit and Co-operative Housing Programs

A major evaluation of the non-profit and co-operative housing programs and their performance in the 1978 - 1981 period was published by Canada Mortgage and Housing Corporation in November 1983.* Major conclusions of that report include the following:**

- The Section 56.1 programs are not totally effective in directing assistance to low and moderate income households;

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*Canada Mortgage and Housing Corporation, Section 56.1, Non-Profit and Cooperative Housing Program Evaluation (Ottawa: November 1983).

**Ibid, pp.318 - 323.

- The programs do not support the government's social priority to serve those most in need, but generally are effective in serving other priority target groups, including the elderly and the disadvantaged;
- The programs are not cost-effective when compared to other social housing or market housing programs; and
- Even if Section 56.1 were totally effective in meeting objectives, this high subsidy cost for each low-income unit provided inhibits the extent to which these programs can contribute to reducing the housing needs of low income households.

These conclusions and the accuracy of the data on which they are based have been challenged by a number of experts and on a number of grounds. As well, an advisory group, to the evaluation study, comprised of experts in the field, has issued a public statement challenging the conclusions. The following elements are part of the critique of the report:

- The programs cannot possibly serve larger proportions of low and moderate income tenants as long as project rents (LEMR) are established at low end of market, with rents in new buildings (post-1975) in the non-controlled stock used to determine what the low end of market rents are, and as long as so few units are built;
- The objective of the Section 56.1 housing programs is to serve moderate income tenants who cannot afford market rents, as well as low-income tenants in rent-geared-to-income units; and
- The conclusion that the subsidy per unit of RGI housing provided in Section 56.1 projects is

higher than is the case for public housing rests solely on the assumption that any subsidies going to moderate income tenants that cannot afford market rents has nil value with respect to meeting government's social housing objectives.

In addition, Social Planning Council staff have observed that the data in the report, and therefore any conclusions based on these data, are highly sensitive to assumptions made with respect to such items as future mortgage interest rates, future rent and income increases, and anticipated future rates of inflation. A few examples follow.

- The report concludes that the per unit subsidy cost of Section 56.1 housing is greater than the per unit subsidy for assisted rental (developer/ entrepreneurial) housing. This is true where the mortgage interest rate is assumed to be 18 per cent. At 12 per cent the subsidy costs for the two programs are nearly identical, and rents in the Section 56.1 projects start at $50 per month less than for units in identical assisted rental projects;
- The report concludes that the subsidy cost per RGI unit is 35 per cent greater in Section 56.1 projects than in identical public housing projects. These numbers reflect an 18 per cent mortgage interest rate. At 13 per cent, the average rate for 5 year mortgages in 1983, the difference is reduced to 25 per cent;*
- The report concludes that over its 35 year life, a Section 56.1 non-profit project may generate

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*Ibid, pp.305 and 306.

> sufficient revenues to subsidize 50 per cent of the tenants. This is true if rents increase at 8 per cent per year and RGI tenant's incomes increase at 6 per cent per year, the assumption made in the report. But if both rent and tenant's incomes increase at 8 per cent per year, 80 per cent of tenants can be housed on average over the period of mortgage repayment. The per unit cost in the latter case would decline by 38 per cent.

The Canada Mortgage and Housing Corporation evaluation concludes that future subsidies of the magnitude of past subsidies can only be justified for the Section 56.1 program if a fairly high value is placed on mixed-income projects as the proper context in which to provide RGI units. This conclusion becomes less valid as the assumptions are varied, and some of the assumptions should definitely be varied.

5.1.2 Rent Review and the Conservation of Affordable Rental Housing

Earlier sections of this report have noted that the province of Ontario has largely abdicated its role in the provision of rent-geared-to-income housing in recent years. Though it continues to cost-share operating subsidies to public housing units jointly with the federal government, the Ontario government has built no new family units since 1975. Further, its contribution to the current non-profit and co-operative programs equal a mere 1 per cent of the federal subsidies.

Ontario's recent appraisal of its role in ensuring an adequate supply of affordable rental housing has focused in large part on ways of retaining and enhancing the existing stock of private rental housing. The Ministry of Municipal Affairs and Housing funded an eleven volume study to examine the major forces at work that threaten the existing stock of rental housing, as well as the extent to which the need for

additional housing units can be met through more intensive use of existing housing.*

Some of the study's observations and recommendations with regard to conserving the existing rental stock are worth noting. It documents that the economics of the private rental housing market are such that private builders cannot construct and finance rental accommodation at even high-end of market rents without substantial government subsidies. The alternative of allowing market rents to rise significantly would permit rental investors to build without massive subsidies but seriously compound the numbers of renting households with an affordability problem. The implied subsidy costs to government could be equally onerous.

The study indicates that the conservation measures passed through to tenants under rent review and needed to maintain the aging stock of older apartment buildings, could increase the proportion of tenants experiencing affordability problems by up to 20 per cent.** Finally, the study recognizes that many tenants will continue to experience affordability problems even with programs to conserve the existing stock of rental housing. It stresses the need for government initiatives to increase the supply of rent-geared-to-income units, particularly for low-income single persons.

The province is also in the midest of a re-examination of its current rent review legislation. This was precipitated by growing landlord and tenant dissatisfaction with the operation of the rent review process during the period of rapidly rising interest rates from 1980 to 1982. The Ministry of Municipal Affairs and Housing undertook a series of analytical studies dealing with the impact of rent review on various aspects of the rental housing market in Ontario. The findings were published jointly as a research report in July of 1982.

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*Ontario Ministry of Municipal Affairs and Housing, Study of Residential Intensification and Rental Housing Conservation (Toronto: March, 1983).

**Ibid, Vol. I, Detailed Summary of Findings and Recommendations, pp.79 - 84.

This report discussed the impact of rent review on such matters as: 1) the maintenance of buildings; 2) rates of return on investment; 3) housing affordability and income redistribution; and 4) security of tenure.

In the fall of 1982 the government announced the establishment of the Commission of Inquiry into Residential Tenancies under Stuart Thom. The mandate of the Thom Commission includes an examination of the equity of the current rent review system with regard to the rights and interests of landlords and tenants, as well as a study of the effect of rent review on the level of rental rates and the supply of residential accommodation in the province.

The Inquiry's work is proceeding in two phases. Hearings under the first phase were completed in September 1983. It focused largely on procedural and operational problems within the existing rent review legislation. A report on the matters arising out of Phase I is expected in the spring of 1984.

The second phase will examine rent review in the larger context of provincial housing policy. It will define the public policy objectives of rent regulation, evaluate alternative approaches to meeting those objectives, and develop means of implementing the preferred regulatory approach.

Among the issues to be addressed during this phase of the Inquiry are: 1) measures, in addition to rent review, that the government might take to assist in providing rental housing at fair rents; 2) whether rent review should be designed with a view to the capacity of tenants to pay or on ensuring some pre-conceived return on investment to landlords; and, 3) whether rent review should be universal or subject to exemptions, including a re-assessment of all current exemptions.

Any substantive changes to Ontario's current rent review legislation could have significant implications in terms of the magnitude of

housing affordability problems and the need for rent-geared-to-income units. The findings and recommendations of the Thom Commission will affect the requirements for social housing units for many years to come.

5.1.3 Recent Initiatives Within Metropolitan Toronto

The last couple of years has witnessed the re-emergence of housing issues on the political agenda of Metropolitan Toronto. A number of factors have contributed to this:

- the loss of affordable rental units through deconversion;
- the rapid increase in some rents resulting from the sale and/or refinancing of older apartment units;
- the abandonment of public housing for families;
- the continuing inability of the private sector to build affordable housing for low and moderate income families, coupled with extremely low vacancy rates; and
- the increasing gap between social assistance rates and the costs of renting on the private market.

In addition to the efforts directed toward identifying the magnitude of housing need within Metropolitan Toronto, which has already been discussed in Chapter 2, several other initiatives have focused more explicitly on the difficulties being experienced by low-income single people not old enough to qualify for senior citizen housing assistance.

In fact, the provision of housing for low-income single people was highlighted as a priority issue by the Chairman of Metro Council during his inaugural speech in December, 1982. Subsequently, a task force

on Housing for Low-Income Single People was established with a mandate to look at ways of increasing the supply of affordable housing available to this group through both new construction and increased access to the existing housing stock, as well as the development of specific initiatives to assist homeless youth.

The task force report was released in November, 1983. In broad terms it calls on the Metro Toronto Housing Company to undertake responsibility for the development of housing for low-income singles. MTHC has recently responded to the specific recommendations and proposes to meet or exceed them in most respects.

Other task force recommendations urge area municipalities to review and adapt zoning bylaws and other regulatory controls which may hinder the retention or development of affordable units for low-income singles. Finally, the report asks the province to extend eligibility for rent-geared-to-income assistance to low-income single persons under 60, and to significantly increase the shelter subsidy portion of social assistance for singles living in private rental accommodation.

5.2 Establishing Assisted Housing Targets Within Metropolitan Toronto

The discussion in Chapter 2 identified 110,000 households as already requiring housing assistance or likely to require it within 15 years. Accepting this time frame as an appropriate one in terms of meeting the need for housing assistance, a number of considerations must be addressed in order to arrive at targets for additional social housing units.

The current distribution and unit mix of rent-geared-to-income units must reviewed. Some consideration should be given to the basis for determining the future distribution of rent-geared-to-income units among area municipalities. Finally, consideration should be given to the extent to which the anticipated need for housing assistance might be met through other than rent-geared-to-income units.

5.2.1 Current Distribution of Rent-Geared-to-Income Units

A look at the current distribution of assisted housing units across Metropolitan Toronto reveals some interesting patterns among area municipalities. Table 5.1 indicates that rent-geared-to-income units form a significantly higher proportion of total households in Scarborough than in any other municipality. Conversely, East York and Etobicoke have a disproportionately smaller share of the total rent-geared-to-income units.

The pattern varies somewhat when total rent-geared-to-income units are broken down on the basis of seniors and family units. While York has a higher than average proportion of seniors, it has barely half the average proportion of family units. North York exhibits the reverse pattern. Overall, about 14 per cent of senior households within Metro live in rent-geared-to-income housing, but this is true of only 4 per cent of family households.

Table 5.1

PROPORTION OF R.G.I. UNITS TO TOTAL HOUSEHOLDS BY MUNICIPALITY IN 1983

Municipality	Proportion of R.G.I. to Total Households	Proportion of R.G.I. to Senior Households	Proportion of R.G.I. to Family Households
Toronto	6.8	15.1	4.0
East York	1.6	3.9	0.6
York	6.2	17.1	2.1
Etobicoke	4.7	8.8	3.2
North York	6.3	11.5	4.7
Scarborough	8.7	23.7	5.0
Metro Toronto	6.5	14.0	4.0

Source: Metropolitan Toronto Assisted Housing Study: Part 2, p.79.

Table 5.2 examines the current distribution of rent-geared-to-income units on the basis of Metro's sixteen major planning districts.

The proportion of rent-geared-to-income households to total households ranges from a high of 16.1 per cent in district 1 (Central Core), to a low of 2.7 per cent in district 4 (North Toronto). For senior households, the proportion varies from a high of 47.2 per cent in district 1, to a low of 3.2 per cent in district 4. For family households, the proportion varies from a high of 8.7 per cent, again in district 1, to a low of less than 1 per cent in districts 7 and 11 (Southern Etobicoke and Willowdale).

Table 5.2

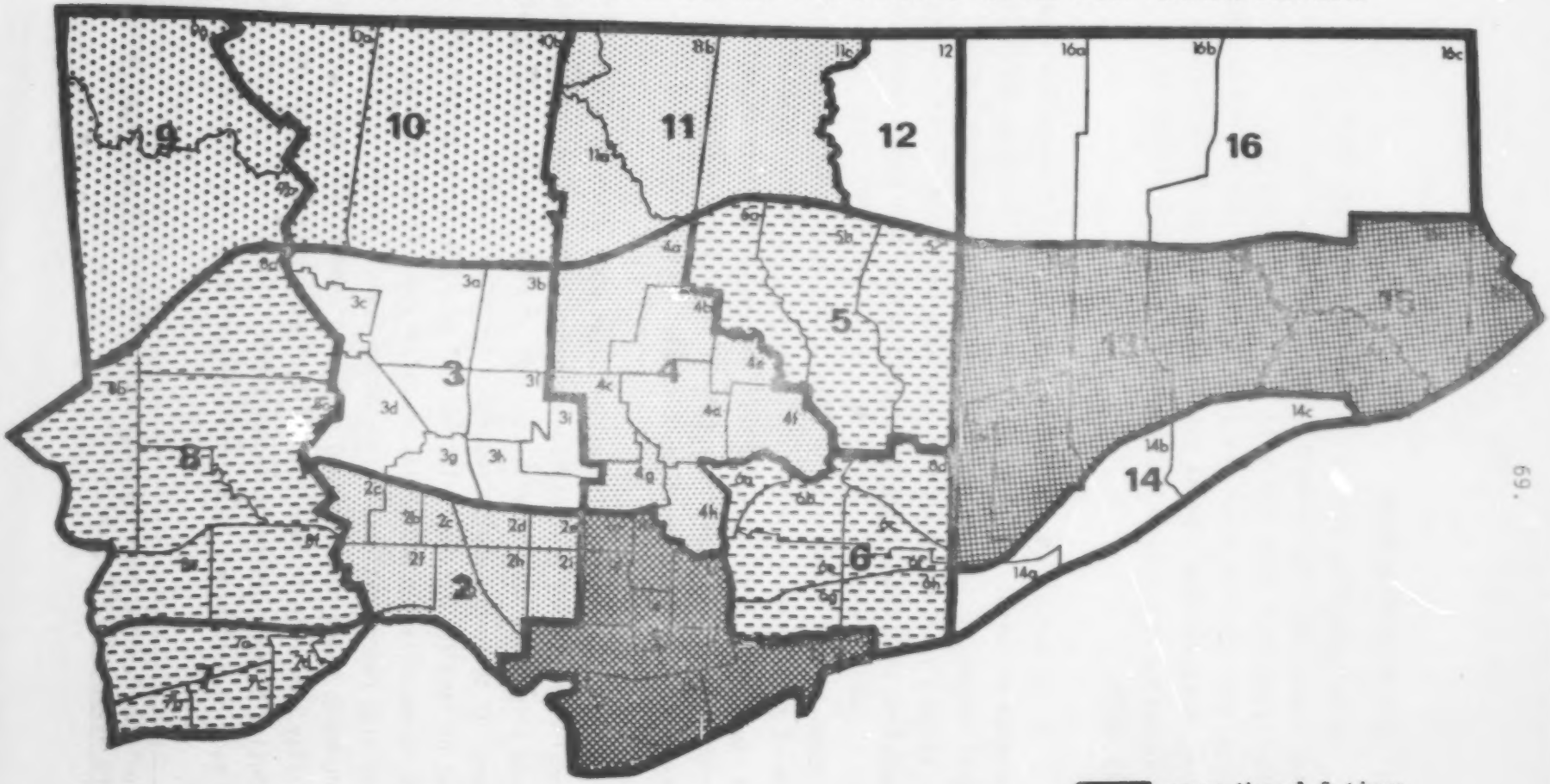
PROPORTION OF R.G.I. UNITS TO TOTAL HOUSEHOLDS BY PLANNING DISTRICT

Planning District	Proportion of R.G.I. to Total Households	Proportion of R.G.I. to Senior Households	Proportion of R.G.I. to Family Households
1	16.1	47.2	8.7
2	3.0	9.3	1.2
3	5.8	13.4	3.4
4	2.7	3.2	2.5
5	4.6	10.3	3.1
6	3.9	9.0	2.0
7	3.8	13.9	-
8	3.3	4.9	2.7
9	9.4	27.0	6.3
10	8.4	23.3	5.9
11	3.2	8.7	0.6
12	5.6	23.0	3.3
13	10.3	25.6	6.2
14	7.0	18.4	2.9
15	12.3	46.6	6.1
16	5.0	21.0	2.9

Source: Metropolitan Toronto Assisted Housing Study: Part 2, p.80.

Figure 1

PER CENT OF RENT-GEARED-TO-INCOME UNITS IN RELATION TO THE AVERAGE FOR ALL MAJOR PLANNING DISTRICTS



THE MUNICIPALITY OF METROPOLITAN TORONTO
MAJOR AND MINOR PLANNING DISTRICTS

5.2.2 Fair Share Allocation

As the preceding discussion clearly indicates, there are particular areas within Metro which have a high concentration of rent-geared-to-income units (see Figure 1). The Assisted Housing Study notes that concerns about the distribution of rent-geared-to-income units emerged at the same time as public opposition to family public housing succeeded in bringing the program to a virtual standstill in the early 1970s.

It was North York, in 1978, which first put forward the idea of an allocation formula based on each municipality accepting proportionally equal responsibility for providing rent-geared-to-income units. In October of that year, Metro Council adopted a principle of "fair share" which required that the proportion of rent-geared-to-income households to total households should be equal in all six municipalities. This was included in the Metropolitan Official Plan, approved in October 1980, but without a target date for its achievement. The Metro Assisted Housing study essentially accepted this conception of "fair share" allocation, though it argues for a further subdivision whereby senior and non-senior households would be calculated separately.*

There are several alternative bases upon which to establish locational criteria for rent-geared-to-income units including: 1) the magnitude of housing need in each municipality; 2) the municipality of preference of those households requiring assistance; 3) the availability and cost of land in different districts of Metro Toronto; 4) the proximity of work, transportation and social amenities, and 5) the desirability of avoiding high concentrations of low-income tenants within particular neighbourhoods. The consideration of each of these additional criteria should play some role in eventual decisions about the location and distribution of rent-geared-to-income units. This is particularly true in the case of the stated locational preferences of the households to be served.

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*Metropolitan Toronto Planning Department, Metropolitan Toronto Assisted Housing Study: Part 2, p.67 - 68.

5.2.3 The Need for Rent-Geared-to-Income Housing

Our analysis indicates that 110,000 households currently require housing assistance, or will require it within 15 years. Nearly 14,000 households were on the waiting lists of one or more of the providers of rent-geared-to-income housing in Metropolitan Toronto at the end of 1982, an increase of 64 per cent in just two years.

Many of the households in need have incomes so low that they would still be short of funds to live at the level specified in the Social Planning Council's Guides for Family Budgeting even if their housing were entirely free and subsidized. This is most true in the case of the single parent families in need. The average depth of need is over $540 monthly, more than the average cost of one and two bedroom apartments that would satisfy their space requirements. The average amount of funds required per month to live at the Budget Guide level in dwellings of average rent is $375 for couples with children, $260 for both senior and non-senior couples without children, $200 for elderly individuals and $190 for non-elderly singles.

Some form of rent-geared-to-income housing will be necessary to meet the housing requirements of those households with a depth of need similar to the levels cited above. However, households exhibiting a shallow need could have their requirements met by the low-end of market units produced under the mixed-income co-operative and non-profit programs. In addition, the nature of the housing assistance required by senior homeowners is quite distinct from that required by tenants and calls for a different set of program initiatives.

Households were determined to have a shallow depth of need if their need for assistance was less than $100 per month in the case of one-person households, or less than $150 per month in the case of households with two or more persons. About 25,000, or 26 per cent, of the total number of tenant households needing housing assistance exhibit such characteristics.

If it is assumed that low-end of market units produced under the co-operative and non-profit housing programs can be rented for $100 to $150 less per month than other market units, then 25,000 would represent the maximum number of households that could benefit from such moderate-priced housing. The remaining 70,000 tenant households would still require some form of rent-geared-to-income housing. Table 5.3 outlines the distribution of households based on their depth of need.

Table 5.3

DISTRIBUTION OF RENTING HOUSEHOLDS
BY DEPTH OF NEED

	Non-Seniors		Seniors*		Total	
	Shallow	Deep	Shallow	Deep	Shallow	Deep
One person	6,500	11,500	3,500	11,500	10,000	23,000
Couple, no children	1,500	4,500	4,000	7,000	5,500	11,500
Couple, children	5,500	18,500	-	-	5,500	18,500
Single parent	2,000	13,000	-	-	2,000	13,000
Other	2,000	4,000	-	-	2,000	4,000
TOTAL	17,500	51,500	7,500	18,500	25,000	70,000

*Excludes the 15,000 senior homeowners which formed part of the initial estimate of 110,000 households needing housing assistance.

The roughly 15,000 senior homeowners identified as having a core housing need can also be excluded from further consideration in the setting of assisted housing targets. In most instances, these households have a liquidity problem; they are property rich but cash poor. They have limited disposable incomes, but their housing is adequate, and in some cases they are significantly over-housed.

5.3 Assessing the Available Options

Previous parts of this report have highlighted several issues which are critical to an informed discussion about meeting the need for housing assistance in the future. They will be reviewed briefly here to provide a frame of reference in considering the available options. It may be useful to preface these remarks with some general comments on the appropriate role of government in the housing field.

5.3.1 The Public Sector Role in Housing

There are two broad aspects to consider in assessing the public sector role in housing. The first relates to the social policy aims or the rationale for government action, and the second concerns the program instruments which are employed and the objectives to be served.

The rationale behind government action in the housing field is dependent upon the way in which housing need is conceptualized and the means of addressing unmet need identified. Approaches tend to exhibit either a social welfare or market welfare orientation.*

The social welfare orientation starts from the premise that housing is a social utility, and that we as a society share a collective responsibility to ensure that everyone has adequate, affordable shelter. Hence, housing is seen as a public good rather than a commodity, and all members of society have a right to a certain minimum level of housing consumption which satisfies their requirements.

The market welfare orientation focuses on ways of assisting the private market to provide housing to low-income households. This approach assumes that the private market is the most efficient way to

*D. Hulchanski, Shelter Allowances and Canadian Housing Policy: A Review and Evaluation, Centre for Urban and Community Studies (Toronto: December, 1983).

allocate housing consumption, with government policy directed toward alleviating market imperfections and externalities.

Proponents of the social welfare approach argue that the private housing market exhibits a chronic and continuing inability to build rental housing that is affordable by low and moderate income renters. They view the fundamental issue as whether government subsidy dollars should be directed toward reducing market imperfections and ensuring a profit for rental investors, or toward expanding the supply of non-market housing.

Following the social welfare approach, government housing policy would expand direct non-market forms of intervention to replace the private sector where it is not working. Unlike subsidies directed toward private builders, non-market housing creates affordable units which remain so in the long term. The drawback from a government standpoint relates to the large initial subsidy costs required to start-up non-market housing alternatives.

Proponents of the market welfare approach argue that the private market is the most efficient way of providing affordable rental housing. They claim that with subsidies comparable to those available under the non-profit programs, and the elimination of rent controls, that the supply of rental housing will be greatly expanded.

More recently, market welfare adherents have advocated shelter allowances to low-income households as a part of the solution. They argue that no one can produce rental housing for the lowest income renters without massive subsidies. This problem should be viewed primarily as one of inadequate income and therefore the solution lies in the form of an income supplementation approach, in this case a shelter allowance.

5.3.2 Alternative Program Instruments

The program instruments used to implement government housing policies can take many forms. Mortgage financing can involve either direct lending or guaranteeing the loans of approved private lenders. Mortgage loans can be based on conventional rates of interest, below market rates or deep subsidies. Capital subsidies can take the form of reduced or interest-free loans, per unit grants, or various tax expenditure provisions such as MURB's. Additional units of low and moderate-income rental housing can be created through new construction, the acquisition of existing stock or through renovation and rehabilitation.

Chapter 4 summarized the range of program options available and reached the following conclusions about each program type:

a) Assisted Home Ownership
- a poorly conceived program with many flaws
- combined federal and provincial assistance encouraged low-income families to purchase homes that they simply could not afford
- half of the eventual 6,000 defaults in Ontario were in the suburban fringe of Metro Toronto

b) Assisted Private Rental
- poorly targetted with no assurance of affordable rents
- ARP, ORCL and CRSP all failed to produce units at rents that moderate income tenants can afford
- subsidy costs are high, in some instances comparable to those of the non-profit and co-op programs

c) Public Housing
- most cost-effective way to produce rent-geared-to-income units over the long term
- problems associated with large scale developments and the concentration of projects in particular neighbourhoods

d) Rent Supplements

- most cost-effective way to produce rent-geared-to-income units in the short term, but costs continue to escalate with time
- more expensive than public housing and non-profit programs in the longer term
- would leave low-income tenants in isolated pockets

e) Non-Profit and Co-operative Housing

- high initial subsidy costs, but increasingly cost-effective over time
- more expensive than public housing as a provider of low-income units
- most cost-effective way to produce housing for both low and moderate income renters in the long-term
- mixed-income projects avoid the stigma associated with large-scale public housing projects, while still creating a sense of community

f) Shelter Allowances

- would result in substantial rent inflation in a tight rental market such as Metro Toronto
- would do little to increase the supply of affordable housing
- most subsidy dollars would simply improve the return on investment of landlords

g) Conservation of Existing Stock

- more intensive use of existing stock, and incentives to renovate and rehabilitate deteriorated dwellings should be used to augment other programs
- can significantly reduce need for new construction in the long run

5.4 Conclusions and Recommendations

About 70,000 households, 45 per cent of them families with children, almost 30 per cent of them non-elderly singles or couples without children, and over 25 per cent of them elderly singles or couples, already require some form of rent-geared-to-income housing, or will require it within 15 years, according to estimates contained in this report. About 50,000, or 70 per cent of these households are eligible for assistance under current Ontario regulations governing rent-geared-to-income housing.

The previous evaluation of alternative methods of providing rent-geared-to-income housing leads us to conclude that the mixed-income co-operative and non-profit housing programs are the best way to provide this assistance from a social point of view. In addition, small projects serving families or low-income single persons, as well as housing for the elderly, in which 100 per cent of the units rent on a geared-to-income basis are certainly acceptable, both for those receiving the assistance and for neighbours.

Both the numbers in need of housing assistance and the depth of assistance which would be required cause us to reject the viability of either a limited shelter allowance scheme or rent supplement units in private rental buildings in addressing this need in the foreseeable future. The current development cost and vacancy rate characteristics within the rental housing market of Metropolitan Toronto would also seem to preclude these options.

The survey and analysis of need, as well as the evaluation of recent housing production and price trends and existing methods of providing assistance, lead us to make the following recommendations:

Recommendations

1) That the two senior levels of government authorize the production of 4,500 rent-geared-to-income units annually, 1,200 for seniors and 3,300 for non-seniors for a period of 15 years. While this is considerably more than the average of 1,000 per year in the 1980 - 1983 period, it is nevertheless not significantly more than the over 3,000 units per year that were produced in the 1964 - 1974 decade.

2) That the Council of Metropolitan Toronto prescribe an assisted housing target of 4,500 units per year for the next fifteen (15) years, with 1,200 units for seniors and 3,300 units for non-seniors. Meeting this target will require much greater use of currently developed sites and existing housing than has been the case in the past.

3) That assisted housing targets for the six individual area municipalities be established in proportion to the preferences expressed in the survey of housing need. The City of Toronto was the preferred choice of 41 per cent of respondents, followed by North York at 22 per cent, Scarborough and Etobicoke with 15 per cent each, East York with 5 per cent and York 3 per cent.

4) That the C.M.H.C. and the Ontario Ministry of Municipal Affairs and Housing be requested to increase the effectiveness of the existing social housing programs, specifically, the municipal non-profit, private non-profit and co-operative housing programs by the following modifications:

(a) relax the current restriction of 25 per cent R.G.I. units in the family buildings to permit up to 50 per cent of units in municipal non-profit buildings, and in co-operative and private non-profit projects using O.C.H.A.P. assistance, to be rented to tenants on a rent-geared-to-income basis;*

(b) revise the current method of determining low end of market rent to ensure that non-profit and co-operative housing remains affordable to moderate income households and that rental increases are based on increases in operating costs;

(c) permit non-profit and co-operative housing organizations as a matter of policy to develop projects through acquisition and renovation;

(d) encourage the provision of a minimum of 50 per cent R.G.I. units in senior private non-profit and co-operative projects, and consider increasing the permitted level of subsidized units above that proportion.

(e) separate the rent reduction assistance targeted to moderate income households, the subsidy required during the first few years of a project's life to bridge the gap between economic and market rents, from the rent-geared-to-income assistance targeted to low-income households.

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*It is anticipated that the ratio would vary between 25 and 50 per cent depending on the size of the project, the household mix and the location involved.

5) That the provincial and municipal governments establish a new program of grants and/or non-interest bearing loans to assist in the rehabilitation of inadequate rental dwellings, given that over 35,000 households in Metropolitan Toronto were determined to be in need of housing assistance solely as a result of the inadequate condition of their dwellings.

6) That the Metropolitan Planning Department, together with the local area municipalities, review the opportunities for providing additional small rental units in existing housing and changes in zoning and planning by-laws that would be required to realize those opportunities, given that nearly 25,000 non-senior singles and couples without children are in need of housing assistance.

7) That 11,500 (750 per year) of the overall assisted housing target be designated for providing permanent, long-term housing for homeless and low-income single persons.

8) That the shelter allowance associated with provincial and municipal social assistance payments be increased to a level that will enable households in receipt of social assistance to have the choice of living in dwellings available on the private market or in housing owned by public, non-profit and co-operative organizations.*

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*Approximately 10,000 households whose primary source of income is social assistance live in dwellings in the private rental market, and require additional housing assistance.